

NEW ZEALAND'S
NATIONAL WEEKLY OF
BUSINESS, POLITICS
AND ECONOMICS

NATIONAL BUSINESS REVIEW

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1800 staff needed for \$16m petrol rationing plan

A CONFIDENTIAL Government report estimates that petrol rationing will cost \$16 million and take 10 months to implement.

And the 1800-strong army of bureaucrats needed to keep the scheme working in second and subsequent years will cost at least \$11.5 million annually.

The Government has been advised to implement all but the final stages of the scheme, which was outlined by Energy Minister Bill Birch last month.

The recommendation is contained in a confidential 38-page report which is being circulated among interested parties.

According to the report, the rationing scheme would take 10 months and cost \$1.168 million before it could be implemented.

Rationing could then be introduced in four weeks.

"Because of the long lead time, it will be necessary to commence preparation as soon as possible, if the scheme is to be brought to the stage where it could be implemented at short notice, the report says.

Outlining the plan before Christmas, Birch emphasised that it was only a contingency plan for use in the event of a major and sudden cut in petrol supplies.

But because of the complexity of the plan drafted by energy officials, "an interim measure has been formulated."

"This would involve proceeding to the point where coupons are printed and held in storage. A skeleton staff would be recruited and trained and publicity material prepared," says the report.

The report envisages the establishment of petrol rationing authorities (PRAs) to administer the scheme, and appeal tribunals.

Both bodies would operate on a district basis under Ministry of Energy guidelines.

Users have been divided into five categories and petrol supplies would be split six ways.

Users will be classified as:
• Essential (emergency services and public transport);
• Priority (business vehicles including Government and local authorities and those used by the disabled);
• Non-registered vehicles, split into

(A) "Priority" (including farm vehicles and petrol-using appliances) and

(B) "Non priority" (including power boats and motor mowers).

• The "ordinary" classification covers all other vehicles, but refers mainly to private cars.

About 5 per cent of petrol would go into a national reserve and another 2 per cent would be set aside for supplementary allocations.

Essential users, who use another 4 per cent of petrol supplies, would get "normal supplies".

Although they would be expected to conserve, priority-users would be cut back by the same degree as supplies were reduced.

Non-priority, non-registered vehicles and appliances would get nothing, and the rest of petrol stocks would be divided among ordinary users.

For supply cuts of between 15 per cent and 25 per cent, motorists would get between 10 and 12 litres a week — in effect, a cut of between 37 per cent and 47 per cent on current usage.

Under the proposed scheme, vehicle owners would fill out a rationing application form. The Post Office would forward these to the Petrol Rationing Authority, which would enter them on a master file at the Wanganui Computer Centre, using Ministry of Transport terminals.

This master file would be "frozen" four weeks before the introduction of rationing, and available supplies would be apportioned.

Petrol rationing entitlement notices would then be issued. They could be exchanged at post offices for coupons to buy petrol.

The coupons, valid for an indefinite period, could be sold, saved or traded.

Government officials envisage an active coupon market (see Page 7) and the establishment of coupon traders.

The rationing scheme would favour the owners of smaller cars.

Vehicles from nought upwards are divided into six categories, according to engine size. (1200cc to 1600cc is taken as the norm).

Smaller cars would receive up to 8 per cent more coupons than the 1200cc to 1600cc cars and larger cars up to 13 per cent fewer coupons.

Owners of gas-powered or dual-fuel vehicles would get half their expected allocation of petrol.

Implementing the scheme would cost an estimated \$16 million in the first year and \$11.5 million in each subsequent year.

The scheme would employ almost 1,800 extra staff — 900 in the Post Office, and 680 to process applications and handle the data entry process.

The petrol rationing authority would have a staff of 200 and cost \$2.3 million to set up, using up to \$3.3 million in a full year. This does not include the 3400 temporary staff needed to handle the initial application for an allocation. Another \$1 would be needed for that.

The rationing scheme envisages a five-stage move towards the introduction of rationing.

A special paper manufacturing machine would be imported and the 60mm x 85mm ration coupons printed on watermarked paper.

Application forms would be printed and distributed and the applications processed on to the master file.

Prefranked envelopes would be made ready for the posting of final ration entitlements if rationing was to be implemented. This would take 10 months and cost \$3.465 million.

The confidential report warns: "It is important to note that the time required for the various steps in implementing the rationing scheme are considered to be the absolute minimum and could only be achieved with considerable disruption to normal activities

and at considerable expense.

"This holds particularly for the data entry on to the master file, which could be carried out in the time stated (five weeks) only if normal and generally important operations were halted during that period."

In the event of a major supply cut, coupons would be distributed to post offices, and all motor vehicle owners could receive a basic ration from the Post Office merely by showing proof of vehicle ownership, according to the report.

That would be a simple and crude division of supply to everyone.

"This interim scheme would bridge the initial crisis period before the full scheme could be implemented," says the report.

A staff of up to 50 would

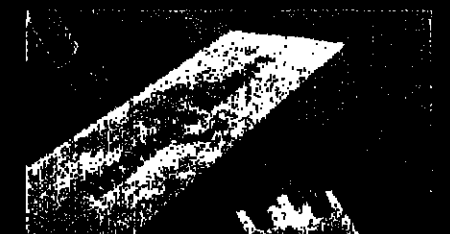


ENERGY'S BIRCH ... emphasises on contingency.

take up to 10 months under the interim scheme at a cost of \$1.168 million.



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Benson & Hedges cigarette packs, visit your
local tobacconist or visit our website.

The news week

US urges nations to join in economic sanctions against Iran and Russia. New Zealand has a twofold problem in its choice of action: its diplomatic need to show solidarity with the US, and the possible crippling effect of a trade embargo on the deteriorating economy. Cabinet will consider on Tuesday whether to impose trade sanctions on Iran and USSR as requested by the American Government. Trade sanctions are unlikely but there may be a chilling of diplomatic ties.

WHOLESALE prices in America increased faster in 1979 than any other year since 1974, when the economy was hit by the Arab oil embargo.

THE first stage of the Gatt Tokyo Round of tariff cuts was implemented on January 1. For New Zealand, the revised Gatt means 9500 tonnes of cheese to Britain and an additional 9000 tonnes to the United States.

IRAN will not sell oil to New Zealand in the first half of 1980, though BP did get 10 per cent of the nation's supplies from there in 1979. But BP, whose supplies were cut off by the Islamic regime, is climbing back into favour. The British oil company is to refine and sell 25,000 barrels of oil a day for the Iranian National Oil Company. And in another important breakthrough, BP is to do a similar deal with the Saudi Arabian Petroleum group for 50,000 barrels a day, breaching the American monopoly on Saudi oil.

A FLURRY of interest was shown in speculative stocks Brierleys, Mineral Resources, South Cross Minerals, and LMOil at the Stock Exchange. This reflects nervousness over rising oil and gold prices; it has become economic to explore these areas, and such ventures find Government support.

AN upsurge in oil exploration sparked by the latest Opec price increases is making an offshore drilling rig hard to find for the Maui partners, Shell-BP-Todd and Offshore Mining.

STATIONARY engine drivers and boiler attendants are back at work in Auckland after the Federation of Labour took over the dispute. Labour Minister Jim Bolger threatened to freeze wage rates unless the strikers returned to work. And the FOL is convening a meeting of all pulp and paper unions on Wednesday to discuss the dispute which has shut down New Zealand Forest Products Kinleith Mill for two weeks.

MOUNT Cook Airlines is cutting fares by up to 25 per cent on some routes. But Air New Zealand wants a 10-16 per cent increase in domestic airfares, freight and charter to offset higher fuel prices. The Air Services Licensing Authority will hear the application, the third in less than a year, on February 5.

PRIME Minister Muldoon will be making a state visit to the Philippines from January 27 to 30. He will deliver a keynote address to the Pacific Area Travel Association Conference in Manila on its opening day and will be meeting with President Marcos to discuss bilateral trade matters and issues of regional interest.

BRITAIN'S Federation of Sussex Industries will be sending its third mission to New Zealand from February 10 to 16, headed by Mrs Nora Potter, the director-general. The 12-company mission includes four publishers. Among the wide range of products offered by the others are a brewing process plant, agricultural and allied machinery, health and beauty therapy equipment, livestock handling equipment and specialised high grade paper.

A PETROL vapouriser, which its two Dunedin designers claim will cut fuel consumption by up to 26 per cent, goes on sale this month.

The weeks ahead

THE Wellington Central division of the Labour Party will hold a seminar at the Victoria University Student Union on the evening of Friday, February 8, and all day Saturday February 9. The subject of the seminar is "Economic and Social Initiatives for the 80s". The keynote speaker will be Bill Rowling, Leader of the Opposition. Others presenting papers are Reg Birchfield, Dr Allan Levett, Whetu Rolleston, Suzanne Snively, Fred Turnovsky, and Joe Walding.

The business week

Haywrights Ltd will effect a complete withdrawal from the Auckland area at the end of February. One outlet will remain in the North Island, in Masterton.

Hume Industries has won a third Designmark award for the design of BG Turf Slabs made under licence to two West German companies.

Manthel Holdings Ltd has bought the Lower Hutt branches of Wrightcars Ltd, a Challenge Corporation subsidiary. The cash transaction is understood to be in excess of

\$1 million and no share exchange will be involved. The sale has been approved by the Examiner of Trade Practices. I. Donald, chairman of Wrightcars, said a static new vehicle market, combined with nil population growth, had brought about a need for rationalisation to support fewer, but stronger, retail motor outlets.

Thiess Holdings stockholders have been urged to accept the CSR offer by Sir Leslie Thiess, who will serve on the CSR board and will become chairman of CSR International Pty Ltd, now CSR-Thiess International.

Fuel prices speed electrification

GOVERNMENT approval for the electrification of the central section of the North Island trunk railway line is expected in the first half of the year.

Final details of the scheme, which will lead to complete electrification between Auckland and Wellington, are being prepared by Treasury and the Railways Department for Cabinet consideration.

Rising fuel prices, which are adding millions of dollars to the Railways costs with every Opec increase, are now thought to put the case for electrification beyond doubt.

For several years all North Island track construction, bridges and tunnels have been built in expectation of eventual electrification.

The hilly Palmerston North-Taumaranui section, where electric locomotives are

most efficient, will be the first to be upgraded in the \$200 million plus scheme. And the work, which will take several years to complete, will give a boost to local industry.

Though locomotives will be bought overseas at a cost of around \$1 million each, \$200,000 more than the diesel locos otherwise needed, cable pylons and other components will be supplied locally.

Low traffic densities make uneconomic the electrification of other lines, apart possibly from the track to the Bay of Plenty through the Kaimai tunnel.

Drugs Information

Factual information about drugs misuse is available from the National Society on Alcoholism & Drug Dependence (NSAD), P.O. Box 1642, Wellington.

Exchange Rates

As at January 17, 1980, \$1NZ is worth:

Australia	.883
Britain	.4337
Canada	1.1432
Fiji	.8136
Japan	232.94
West Germany	1.6833
USA	.9828
Austria	12.18
Belgium	27.34
China	1.4491
Denmark	5.2871
France	3.9440
Greece	37.41
Hong Kong	4.7649
India	7.7553
Italy	786.98
Malaysia	2.1338
Netherlands	1.8551
New Caledonia and Tahiti	71.94
Norway	4.8173
Pakistan	9.6941
Papua-New Guinea	On appln
Portugal	48.86
Singapore	2.1116
South Africa	.8038
Spain	64.78
Sri Lanka	On appln
Sweden	4.0540
Switzerland	1.5498

These leaflets available on request but please send money to cover postage

nsad

The week

Sanctions chill NZ prospects

by John Draper

AMERICAN trade sanctions against Russia are already hurting New Zealand exports. Manufacturing beef prices are sliding on the important New York market as dealers get jittery at the prospect of a grain surplus.

More than 70 per cent of New Zealand's beef exports are to the United States, where a price fall of one cent can mean a \$1 million out in export earnings.

As yet it is impossible to assess the long-term effect of the price fall, which may be nothing more than American over reaction and speculation. But it is typical of the overall impact of any sanctions that President Carter does enforce — the small nations get hurt more than those at centre stage. And if nations like New Zealand, fail to do what their larger allies want, they face possible discrimination in future trade negotiations.

The balance of trade with Russia runs heavily in New Zealand's favour: exports of \$129.3 million; imports of \$5.3 million in the year to June 1979. And Russia has been buying steadily since.

9000 tonnes — almost all the early season mutton — was sold to Russia and more is

being sought.

The Dairy Board, late last year, sold a record quantity of butter understood to be around 25,000 tonnes, worth \$25 million to the Soviet Union.

And with sales of cheap European Common Market butter temporarily suspended the Soviet buyers are now wanting to buy more.

Wool is New Zealand's biggest export to the invader of Afghanistan, \$76 million worth in the year to June 1979.

To Russia, imports from New Zealand are trifling. New Zealand's meat exports, beef when the Russians can afford it and mutton, were politely described to one exporter in Moscow as being of thumbnail size in comparison with total Soviet imports.

To New Zealand, the Soviet Union is more important than the size of sales would suggest. The presence of Russia as a buyer for wool and mutton in particular ensures better prices.

Bowing to American pressure, at least in the short run, would cost New Zealand and Contradict Prime Minister Rob Muldoon's initial decision not to enforce sanctions against Iran, though since clouded by a specific Ame-

rican request to stop wool sales.

The balance of payments, running at a deficit, seems almost certain to dictate any decision the Cabinet might take this week.

Added to that is Muldoon's expressed displeasure at President Carter's acceptance of a 1.25 billion pounds floor for beef exports, apparently contradicting an earlier assurance by Carter that the floor would not go below 1.3 billion pounds.

Muldoon's anger prompted him to publish letters to and replies from Carter late last year.

Also to be taken into consideration is the evident ineffectiveness of trade sanctions against Rhodesia.

Sanctions made life tough for the Rhodesians by breaking established trading patterns, but failed to bring the nation to its knees as Britain

expected. Russia, with its east European satellites and wider sphere of influence, will be impossible to control.

Fishing is being canvassed as one area New Zealand could hit to express its support for the Americans and opposition to the Russian takeover in the Middle East.

Suspending joint ventures immediately raises questions of compensation to local companies now into their first season with Russian partners. And to evict the 19 Soviet trawlers fishing under licence in the 320 kilometre off-shore economic zone would be held as a breach of the international convention.

More likely is a mild chilling of relations with the suspension of any exchange visits, scientific programmes and agreements which in the short term at least will have little effect on the national purse.

Tax ruling: commissions not viewed as wages

Melbourne Correspondent

THE New South Wales Supreme Court has ruled that commissions paid to independent insurance agents are not wages, and cannot be regarded as such by taxation officials in the assessment of insurance companies' pay-roll tax.

The test case, brought by two insurance companies against the New South Wales Commissioner of Pay-Roll Tax, hinged on the changing status of those "canvassers" for insurance business.

The insurance companies argued, successfully, that pay-roll tax on commissions was being paid pursuant to tax legislation of the early 1940s in which the term "canvassers" referred to salaried employees of the insurance companies.

These employees, the court held, had been systematically engaged in full time canvassing for business from door to

door, under the supervision of the insurance companies' staff.

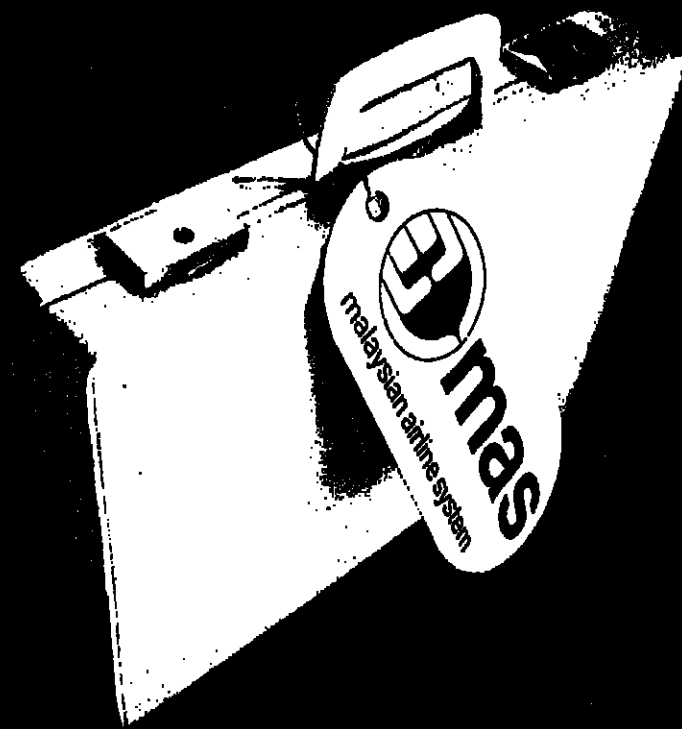
They had constituted in their day a clearly defined class of "canvassers" on whose wages a pay-roll tax could lawfully be levied.

But this was not the case today. Commissions were paid to independent insurance agents and brokers, who were under no legal obligation to canvass as their principal business, which was taken by the court to be one of the essential features of "canvassing".

Independent agents were not employees, and in some cases commissions earned from canvassing were not even their principal income.

The Supreme Court ruling will be "persuasive" in other Australian states, but the Commissioner of Pay-Roll Tax is reported to be considering an appeal.

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There are five volumes including the main directory, a directory of companies in the manufacturing sector, a directory of companies in the services sector, a directory of companies in the construction sector, and a directory of companies in the retail sector.

For more information, contact the publisher, The New Zealand Business Directory, P.O. Box 1642, Wellington.

Letters

Manufacturers Federation

THE simplistic and extremely naive attack on manufacturers by Warren Berryman (NBR, December 17) scarcely deserves a response but just for the record I will set the matter straight.

The New Zealand Manufacturers Federation is committed to the development of a strong and competitive manufacturing sector. The facts are that manufacturers are becoming increasingly export-oriented. Research conducted through our Export Research Programme showed that manufacturers overall intended increasing the proportion of production exported by 60 per cent over the next five years. This remarkable growth is not going to occur through just one or two companies — it reflects a general appreciation of the desirability of increasing exports both to the companies concerned and the country. (My

own company already exports more than 50% of its production). My statement commenting on a speech made by the Hon D F Quigley pointed out some simple facts of international trade which get overlooked by the academic economists and it sees the amateur theorists in the media.

I pointed out that Australia controls seven per cent of its imports by quota and that Korea and Taiwan banned the import of textiles for local consumption. Asian countries have extremely high tariff levels on a wide range of consumer products. The Indonesian tariff of 100 per cent on textiles is typical of tariffs in the region.

Facts like these are consistently overlooked by those who wish to paint a picture of New Zealand as a highly protected country surrounded by a world practising free trade.

The Federation totally rejects the specious claim by Mr Berryman that we would be better off with only those industries which had a com-

parative advantage internationally.

This would reduce our industrial base to very few products and would create an unbalanced and uninteresting society to say nothing of massive unemployment.

The essential point about the New Zealand situation which the doctrinaire economists don't seem to grasp is that our tiny market can easily be dominated by any one of hundreds of overseas companies who would sell at a loss to get control. This means import licensing as well as the tariff will be necessary in the foreseeable future.

The Federation recognises that the whole economy must become more efficient and use resources more effectively. We do not ask for the status quo. But we do expect Government to pursue policies that are consistent with the move towards improving efficiency and increased exports.

This will not be achieved by abandoning import controls

to satisfy a nineteenth century — that would be a recipe for certain disaster.

F. Turnovsky
President
NZ Manufacturers Federation

I MUST take issue with Warren Berryman regarding his "Federation for Efficient Manufacturers".

The inadequately informed reader could only and up more so when he reads: "where local goods have to face real competition in overseas markets they are sold more cheaply than they are sold at home". This is a mischievous and irresponsible generalisation — good copy it may be, but not good reading.

I can only quote with accuracy my own company's figures, but I'm sure we are not alone. We sell our mobile radiotelephone products in many countries and we enjoy the largest share of the New Zealand market — and we are the only wholly New Zealand-owned company in this field.

Spread over a wide selection of markets, in both hemispheres, and with sales running at the rate of some millions of dollars a year, the range of end user prices of the various models is, in all cases lower in New Zealand than in any other country. The differentials in favour of the New Zealand buyer range from 20-50 per cent and the product sells well on this price structure throughout the world. Not much gouging of the local consumer in that deal, Mr Berryman.

A M Tait
Managing Director
Tait Electronics Limited

Milk fluoridation

FOLLOWING up your reference to Martinborough's leaning towards using milk as the vehicle for fluoride (NBR August 22), I think it might be a mistake to label it a "run-drink".

Something which would give a child a feeling of self-importance would be better, particularly as the intention of using the milk method is to limit the intake of fluoride, to the scientifically approved safe dose and so avoid risk of excess. For this purpose no more than one drink of one third pint per day containing 1 ppm of fluoride is required. It is more likely to be accepted as a "milk product", distributed in specially labelled containers, and in the United Kingdom would then be outside the scope of the Dairy Council.

It would be preferable to reintroduce milk to schools which could be done by milk distributors fluoridating a part of the supplies. The remainder could be "white milk" where parents exercised their freedom of choice, for any particular reason such as it being medically inadvisable as in the case of diabetics.

The clinical trials, conducted by the Borrow Dental Milk Foundation mentioned in your article, show an appreciable reduction in caries in school children who have only taken the fluoride on the 200 days they have been at school. Better results numerically, of course, would result from 365 days.

It's admitted benefit would be lost to children under five if provided only at school, but distribution could be made to them at home from birth.

The milk method costs infinitely less than the method of water fluoridation which would use 16,000 tons of fluoride a year for a population of 55 million against only 7½ tons for every 10 million children, without any guarantee of absence of excessive intake by the individual, and certainly involving wastage of many gallons on other purposes which could derive no benefit.

Phyllis Deakin
Waterlooville
Hunts
England

Services to travel agents

I WISH to point out that there is a serious inaccuracy in your article concerning multi access systems on page 7 of your November 26 issue.

Airline sources are quoted as saying that TIAS in Australia is barred from support-

ing services offered by foreign carriers which Qantas does not already provide.

Qantas has offered a single access system to travel agents for some years and the level of service provided has been regarded by TIAS as a necessary starting point if the TIAS service is to be competitive.

However there is no intention to limit facilities in the future and indeed we envisage discussing the special requirements of each airline subscriber when they join, with a view to implementation where possible.

In deciding whether or not to support extension of facilities the considerations will be technical feasibility and cost.
Alec Pratt
Manager
Travel Industries Automated Systems Pty Ltd

BNZ Visa advert

OGILVY, Caples or whoever, once said "Ego has no place in the creation of advertising — it simply clouds the issue". (NBR Nov 26 1979).

The comparison Mr Martin draws is clearly due to happenstance. To debate the point publicly does the industry a disservice — surely we are faced with far more important issues. To draw the NFA into the debate smacks of short term marketing infighting.

We would have thought the professionals in the industry were above this. Unless of course they subscribe to playing better pianos in better brothels.

Chris Sharp
Focus Advertising and Marketing Ltd

Air NZ's standards

MAY I, as a businessman who has travelled with Air New Zealand fairly regularly in recent years, take issue with John Draper and his references to the Mount Erebus tragedy in two separate articles in your December 10 issue?

Firstly, it must be highly presumptuous to link the crash with a 1968 Ministry merger or the Air New Zealand NAC merger at a time when the results of an official investigation are still awaited.

Secondly, to claim that the tragedy represents an ignominious end to an image-boasting campaign is obviously unfair. Most airlines of my acquaintance have suffered disasters but they continue to compete and market their services and image as strongly as possible. Given the very high standards of operation on all its regular routes, there seems no valid reason why Air New Zealand should be prevented from doing so by an accident which one hopes and expects will prove quite unrelated to its regular operations.

I would have thought that some pride in the airline's achievements and support for its future plans would be a better course for New Zealanders generally than unsupported speculation as to the cause of a tragedy and over-emphasis on its immediate administrative and financial problems.

A Moore
Managing Director
Quality Packers Limited

The economy

Cost of living: Orewa snores as inflation soars

Economics Correspondent

FINANCE Minister Rob Muldoon has a new technique for managing the economy. Gone are the days of economic wizardry. Welcome the hypnotist.

The so-called state-of-the-nation speech at Orewa was one big yawn. Predictably, the Prime Minister skirted around the important economic issues of the day and only provided a vague outline of the Government's economic policy.

Instead, under the spotlight of his much publicised speech, Muldoon introduced the public to the newest member of his economic stable, another scapegoat. From now on this year, most of the failings of the New Zealand economy can be blamed on the international economy.

This latest pet replaces an old favourite scapegoat, the previous Labour Government. It stretches the public's credibility to blame the Labour Government for all the country's economic ills since it has been over four years since Muldoon's party has been in office.

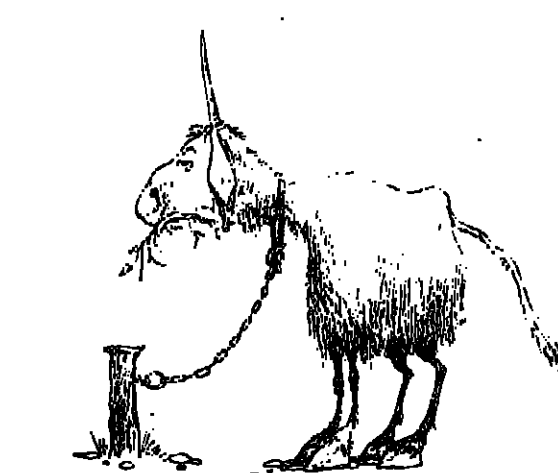
Time enough for people to forget Muldoon's claims that international factors did not have a large effect on the New Zealand economy when the Labour Government tried to blame some of the increases in domestic inflation on the 1973 international oil price rises.

And since the international economy never has the opportunity to vote in New Zealand elections, it is a much more attractive scapegoat than another Government pet, the unions.

Inflation, much in the news these past weeks, is largely caused by international economic factors, according to the Orewa speech.

There was a time when the Prime Minister boasted of his ability to get inflation down below 10 per cent. He has never succeeded.

It seems likely that inflation will rise rapidly over the next year. Comparison of prices for the December quarter 1979 with those for the December quarter 1978 shows that over the past year consumer prices rose by 16.5 per cent. When the annual rate of inflation is calculated in this way, it is a



THE NEW SCAPEGOAT ... world's economy blamed for nation's ills.

record rate for a calendar year. Another way of calculating the annual rate of inflation is to average price rises for a year and compare this average with the average of price rises during the year before. When the annual inflation rate is calculated in this way, the Government's performance is put in a better light.

The average annual rate of inflation has fallen in each calendar year since 1975.

But no matter how the annual rate of inflation is calculated, it is likely that there will be an upward trend in price rises during 1980. Muldoon is expert enough to know that he won't have a leg to stand on when it comes to proving his success at battling inflation. He will have to ride his new scapegoat instead.

In his Orewa speech, he explained that everything changed on the international front "when the Shah was overthrown and the oil situation became more chaotic than ever before."

Muldoon said "we have now seen the price of oil double in less than a year and we are speaking of thirty dollars a barrel as a reality and there is no indication as to where the price movement might end."

Further, "Oil prices and other factors have led the United States and the rest of the industrialised world into the beginnings of a recession which, at present, seems to be deeper and longer than was anticipated prior to the latest increases in oil prices."

While New Zealand has benefited from the funds accruing to oil producers through lamb trade with Iran, Muldoon points out that "by 1979 the OECD estimated that only about fifty per cent of the surplus of the oil producers was showing up as increased trade because of the limited ability of their economies to absorb more imports."

"The failure of the policies of OPEC and the destruction of the solidarity of that organisation is doing grave damage to the economies of the oil producers' major customers and the results will be hammering right back onto the OPEC countries themselves."

After painting a gloomy picture of the international world economy, the Prime Minister asserted his belief that "within the next year or two, nothing short of a major exercise in international economic co-operation will save the world from a situation which has not been seen since the 1930s."

In the meantime, "international prices generally are moving up with high levels of inflation in the industrial countries and these increased prices will have to be absorbed internally. New Zealand's terms of trade are likely to decline somewhat this year."

But while Muldoon wants the public to be fully aware of the powerful influence of the international economy, he emphasises that his new scapegoat is fairly tame. He thinks the New Zealand community will "not be suffering too much" from either increased oil prices or other international prices.

Muldoon is not worried about the latest increases in the consumer price index because he does not think that the consumer price index is an accurate "reflection" of inflation.

"Basic inflation," Muldoon says, "is 10 per cent." It is frivolous items like meat and petrol which push the rate of increase in prices above that level.

This can hardly be reassuring for families faced with a 21.5 per cent increase in food prices over the past calendar year and with even larger increases in petrol prices this year.

And the increase in the prices of non-frivolous items such as fruit and vegetables and dairy products increased by considerably above 20 per cent last year. Domestic fuel and light prices rose by over 40 per cent.

The Government must take major responsibility for the rises in power charges and milk prices. Postal charges went up in August and a 20 per cent sales tax was imposed on

several items last May.

Interest rates, a potential influence on inflation, continue to ascend. This is partly a result of present Government policy designed to keep liquidity tighter in the year ahead.

Obviously, international economic factors can have an important influence on inflation within New Zealand. But economists are only beginning to be able to assess what the impact of the international economy might be.

The rise in petroleum prices in 1973 had a dramatic effect on prices in New Zealand and elsewhere. Apart from these dramatic events, inflation can be transmitted from a group of countries to another country or countries. The whole world is linked by an interdependent system of prices.

Foreign trade and investment link prices between countries. Or in the jargon of economists, they are the main factors in the "transmission" of inflation.

While it is not difficult to identify transmission factors, it is hard for economists to quantify the influence of these factors. The public is probably befuddled by the jargon and is at a greater disadvantage.

This is another reason why the international economy provides an excellent scapegoat for a clever politician like Muldoon who is able to use public ignorance to his advantage.

The transmission mechanism works in such a way that

industrial expansion overseas will eventually result in higher prices for New Zealand's imports. The growth in demand that comes with economic growth will probably push international prices up.

Industrial recession overseas can also push up the prices for New Zealand's imports. As firms reduce their output, international prices may rise.

Last year, wages kept step with inflation in New Zealand. And while interest rates rose, many investors found it easier to obtain funds than during earlier years. Also, the terms of trade improved slightly.

Muldoon may be right in not treating inflation as a serious matter. If all prices and values rise at the same rate, the relative prices and values of products remain unaltered. The relative economic positions of people remain unchanged. Nobody suffers from the effects of price changes.

The problem with inflation is that prices and values do not change at the same rate. At any one time, some prices and values increase faster than others. It is this difference in rates of increase that causes most of the bad effects commonly associated with inflation.

Inflation causes income to be redistributed. Economists have little evidence about the extent of this redistribution. But enough change occurs in the short run for some people to feel disadvantaged.

In 1980, wages are likely to rise more slowly than prices. So it is the wage earners who will feel the pinch of inflation and who are likely to feel cheated by increases in consumer prices.

Long-run damage may occur to the economy if interest rates rise as a result of the Government's attempts to control inflation by tightening the money supply and firms cut back on expensive new investment.

At any one time, there will be some group which feels cheated by inflation. A solution to this problem is to encourage broader views of the New Zealand economy instead of the particular needs of interest groups.

Muldoon said at Orewa that "one of the most interesting features of the last few months is the clear picture that I get that our people are lifting their eyes from the immediate problems of today and beginning to see a vision of the future."

But this optimism about the future is a poor substitute for firm economic management now. The Orewa speech gave little indication that the Government was prepared to face up squarely to the problem of inflation.

The economy does not need to be tranquillised by hypnosis. It needs to be stimulated towards expansion.

And if food prices rise much higher, Muldoon may be forced to eat his own scapegoats.

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A LITTLE INTRODUCTION

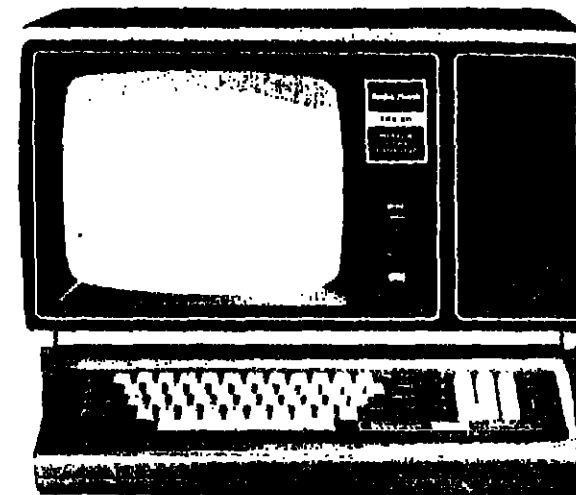
When David Reid Data Products Ltd introduced the TRS-80 Model I in New Zealand one year ago we knew we had a hot product on our hands. This was obvious from the tremendous response the TRS-80 was receiving overseas — what we didn't know or expect was that we would sell almost 500 systems in New Zealand during that year (100,000 were sold worldwide during that same period.) What also surprised us was that the majority of sales here and overseas went to small commercial and professional organisations and not to schools, Government Departments and home hobbyists. In fact the list of users range from farmers, chemists, boat builders, hire firms, travel agents, advertisers, radio stations, importers, schools, insurance brokers, real estate, and printing companies etc covering virtually every spectrum of the commercial and professional marketplace. Model I prices start at under \$2000 for a 16K byte working system complete with cassette and go to around \$8000 complete 32K byte system complete with two mini floppy disks and 60 CPS printer. Next year David Reid Data Products Ltd expects to hold these prices and even bring them down in some cases where possible. Present devaluation losses have been offset by Radio Shack's volume production which continues to bring the price of the Model I down and putting it within the reach of virtually everyone who wants or needs a personal computer.

WHEN EVERYONE SUDDENLY WANTS TO BUY A COMPUTER

Like Radio Shack in the United States, David Reid Data Products Ltd found it could not service every enquiry for the TRS-80 Model I. Many businesses both small and large require more disk space than the Model I could offer. Some needed larger screen with both upper and lower case characters, while others required a faster printer. In other words while the idea of a low price attracted many people a number of them had mini computer rather than micro computer requirements. So Radio Shack have designed the Model II not as a replacement for Model I but as an enhancement to the existing product range.

FAST AND EXPANDABLE!

Model II operates at twice TRS-80's high speed. In addition to either 32 or 64 thousand characters (bytes) of internal Random Access Memory, one built-in 8" floppy disk stores an additional one-half million bytes, including the Disk Operating System. And you can easily expand to a two, three or even a four disk system for up to two million bytes of storage. **UPWARD COMPATIBLE TRS-80 BASIC** You get the enhanced Level III version of TRS-80's already famous Level II BASIC language and "TRSDOS" operating system automatically loaded in memory when you "power up". (About 24K of RAM is used by this software). Since all of Model II's software is loaded from disk into internal memory, future Radio Shack languages will allow maximum available memory, with nothing lost to a language in ROM which isn't being used. Each time you power up Model II thoroughly tests itself to insure proper operation. Your



chosen program can appear immediately without any intermediate steps or questions to answer. Direct Memory Access allows Model II to continue processing during disk transfer operations. All I/O operations are vector-inter-upt driven.

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Built-in input/output capabilities include two RS-232C channels and one Centronics parallel port. Future expansion is provided for through four plug-in slots for optional PC boards. Expansion boards are under development now and will be announced as they become available.

A WORD ABOUT SOFTWARE

Writing programmes for computers is expensive and in order to keep the price down on the Model I system David Reid Data Products Ltd sold primarily to business enthusiasts who were keen on either writing their own programmes or modifying packages which were available from ourselves or Radio Shack or local software suppliers.

With the Model II the question of providing software and software support has again come up at this stage we have decided to make the same decision as we did for the Model I. That is to say the standard low cost packages will be available for local people to modify to meet many application areas.

WHEN CAN YOU GET YOUR HANDS ON THE MODEL II

The TRS-80 Model II is now being delivered in the U.S. and orders for the system are heavily backlogged. Internationally we will be receiving the first shipment early next year. So if you want to know more about the Model II please complete the coupon or tell us of your application on your company's letterhead.

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Politics

This year — National's turn to change deputies?

by Colin James

GEORGE Chapman has been away these past few weeks deciding his future. What he decides will affect the shape the politics in 1980.

I do not pretend to know what his decision will be, and I do not know anyone who did by last week.

It is not even the sort of decision we dispense of free advice would care to make for him. Resolving dilemmas is no fun.

Just settling the criteria on which to make the decision poses problems of ego and conflicting interests.

Does he decide it on the basis of his personal future?

As he indicated last year, there is a limit to how long anyone can forsake making money for the thrills of amateur politics. Directorships in private industry would be more appropriate for the champion of private enterprise than succeeding Sir Arnold Nordmeyer on the state-owned Onshore Mining Company Ltd.

There must also be a strong temptation to quit while he is ahead — two wins, no losses.

That temptation cannot be any the less for the unhappy state of his relationship with the Prime Minister, who, despite persistent low-grade rumblings here and there for his removal, is much more likely than not to lead the party into the 1981 election.

Does he decide it on the party's interest? And, if so, is it unequivocally in the party's interest to win in 1981, keep a grip on the national development strategy and, incidentally, strengthen the Prime Minister's leadership?

Or is there something to be said for losing in 1981, letting a bumbling Labour Government (if such it proved) set up the conditions for a secure National tenure of power into the 1990s under a leader from the new breed?

Or is the private enterprise cause too fragile to survive without a powerful champion in the organisation to act as foil to a revisionist leader?

There is no obvious successor to that role in the upper reaches of the party — so if Chapman went he would not only weaken National's chances for 1981, but also weaken the impact of the back-to-basics mood in the party at large.

In fact, there is no obvious replacement president.

Auckland's Stuart Masters, long the bridesmaid, seems destined never to be the bride and I understand is heading off to North Canterbury for retirement. The other four divisional chairmen, the usual



DEREK QUIGLEY ... stable.



GEORGE CHAPMAN ... no obvious replacement.



BRIAN TALBOYS ... non-committal.



JIM BOLGER ... stylish.

pool of recruits, either do not want the job or are not ready for it.

Another hopeful, Egan Ogier, Wellington divisional chairman until 1978 and now Waikato treasurer, lost ground last year when he was tipped off the policy committee.

Interestingly, and perhaps a pointer to the future, his place was taken by the woman vice-president, Sue Wood, a youngish, intelligent and innovative woman not at all in the blue-tinted mould of past token National women — though not, or not yet, a hardened political professional.

So just finding a new president would be traumatic enough in a party that pretends smooth transitions of power.

But at least it seems likely that last year's trauma of uncertainty over whether Chapman was going to stay will not be repeated. Chapman is under some pressure to make up his mind soon, announce his decision and stick to it.

There is pressure, too, on the Prime Minister to make some decisions about people and places in the Cabinet. The pressure is coming both from the party organisation (which a Chapman departure would lessen) and within the parliamentary party.

The Prime Minister has been publicly resisting this pressure.

In an interview published just after Christmas, he said: "At this moment I have no thoughts of any changes in the Cabinet — no thoughts at all."

No thoughts at all? Well, hardly any.

"But," he went on, "if I find that something is happening that requires change, then okay, we will have the change," he said.

And: "That kind of thing could be notification that someone is going to retire — and that might not necessarily lead to a change — notification of a health problem or, as was the case not too long ago, I felt

that a minister needed a bit of additional assistance."

Since there are some health problems — Lance Adams-Schneider, for one, has been a bit shaky — and there are some impending retirements — Alan Highet being the most notable example — the Prime Minister has given himself scope for change.

Nevertheless, there is logic in the Prime Minister's demurrer. Consider these factors:

• He took something of a battering from the younger brigade last year. Though he is now talking the language of the development decade — indeed, wore his Orewa speech last week around that theme — he may need the psychological support of the older brigade a bit longer before he feels he can handle a Cabinet composed more fully of the new men.

• Sackings are not common or easy in New Zealand politics. In the 1960s Keith Holyoake used to be able to turn over Cabinet personnel by letting some of the dead-weight retire at the end of each three-year parliamentary term. The present incumbent is cautious and reciprocates loyalty — and is likely to find painful decisions harder. The small size of our parliamentary parties allows no anonymity to those demoted.

• The Labour "reshuffle" of its shadow lineup did not go very far, so the unshuffled National Cabinet does not look unduly, if at all, disadvantaged beside its opposites.

• A major reshuffle early this year would preclude bringing in any of the outstanding but inexperienced class of 1978 and would further delay their entry because less impressive 1975ers brought in now would not subsequently be easy to shift. (But think how to persevere might see that).

Delaying the changes would also give last-term ministers the opportunity to

announce their departures in their own time and offer to step down gracefully.

Nevertheless, the Prime Minister is under pressure to do something soon.

One option open to him to reduce the pressure would be to nominate a minister or two now (on grounds of health or impending retirement) and bring in energy whizzkid Barry Brill and one or two other second-term MPs — Tony Friedlander, for example.

Or he could cause minimum disruption by simply bringing in Brill — making the numbers up to 20 — and shuffling portfolios round a bit.

But doing nothing, or very little, will not remove the pressure which would then be likely to be transferred to electorate level. Already, I hear, there have been rumblings in Selwyn (Colin McLachlan's electorate) and some discontent in Taranaki (David Thomson's) and Waitotara (Vern Young's) where Social Credit is a force.

This year could be good pickings for National hopefuls, with safe Remuera (Highett), East Coast Bays (Frank Gill), Waikato (Adams-Schneider) and marginal Miramar (where moves are afoot to line up daughter Rosemary to succeed Bill Young) all in the melting pot.

But more important than all of these, and crucial to the timing and quality of the reshuffle, is the future of the member for supersafe Wallace. Deputy Prime Minister Brian Talboys.

Though Talboys has been

publicly non-committal about his future, party insiders are confident he will leave politics in 1981.

Talboys' decision will match that of Chapman in importance for the party.

Since it is impractical to go into an election with a lame-duck deputy, a decision to go would precipitate a deputy leadership election. To give the new team time to shake down that election would best be held before the end of this year.

Present indications are that the contest would be between Labour Minister Jim Bolger and Housing Minister Derek Quigley — one-time rising star Hugh Templeton having lost a bit of his shine (Duncan Machin still rates a mention, too).

By the end of last year

opinion seemed to be jelling in favour of Quigley, who may be short on style (Bolger's strong point), and experience (usually mandatory in the National Party), but is long on stability, courage and commitment to the basics.

Quigley as Deputy Prime Minister? It would be more breathtaking than David Lange's rise.

In its wake would come willy-nilly a cascade of Cabinet changes, unless the Prime Minister had already performed major surgery off his own bat.

Whether he had or not, the power of the fast-trackers and private enterprisers would be decisively strengthened.

The Prime Minister seemed at last to have regained some of the initiative towards the end of last year (and with it an unfamiliar bunch of new friends, manufacturers, for example, looking to him for moderation of the new brigade). But he may have some rougher knocks to survive this year.

This being the season for daydreaming, how about this little scenario: a Chapman-Quigley alliance (ideologically speaking) to rally the not-so-faithful at the frontier with Social Credit and the Prime Minister sucking it to the Archie Bunkers over at the National-Labour boundary fence.

For personality politics, it will be National's year. You're first on George, but you're not alone.

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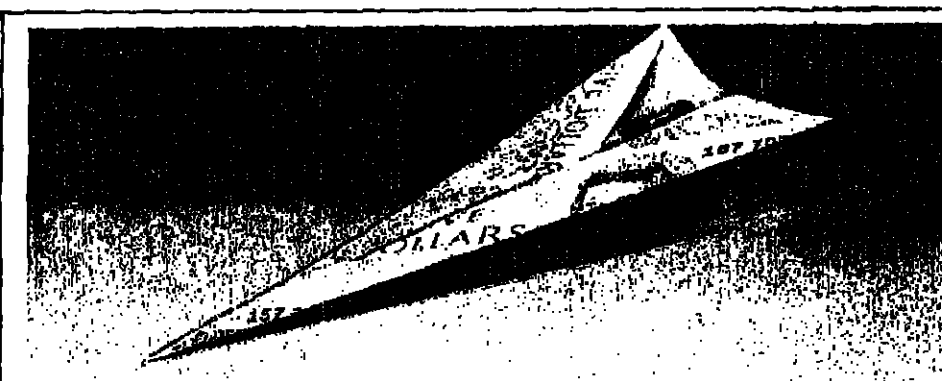
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Science and technology

Pneumatics: the "Cinderella of engineering"

by Warren Berryman

"ELECTRONIC mania" and ignorance of alternative automation systems is costing New Zealand industry millions of dollars. And millions could be saved if engineers had a practical knowledge of cheap pneumatic controls and prime movers.

Scotch Paterson, consultant on compressed air, was so incensed at this waste of money through ignorance that he wrote a book to fill the gap in engineer's formal training.

Published by McGraw Hill NZ Ltd, in December Paterson's *Practical Pneumatics* is written for the practical engineer who wants a book in his left hand and a spanner in his right.

"There is a great gap in the training of our engineers. Ninety per cent of them are turned out of university lacking an interdisciplinary approach to automation systems," he says. "Sometimes the engineer has only a narrow training in one sort of system. In other cases the professional engineer is over-ridden by an accountant when it comes to buying equipment. This is costing us an untold amount of money."

Six out of 10 New Zealand factories are not using pneumatics, or not using pneumatics properly, Paterson argues.

"Electronics wears a glossy and seductive public face. Vested commercial interests have grossly exaggerated

electronics' usefulness, to the extent of suggesting that its infallible and reliable under all working conditions."

Paterson challenges electronics' "misconceived wizard image" and has a shot at fellow engineers who get so carried away with the means that lose sight of the ends.

Pneumatics has been the Cinderella of engineering, Paterson insists.

Pneumatic controls are often cheaper, he points out. They are also simpler, more robust, and stand up to dusty and damp conditions that worry electronic controls.

Paterson hopes to acquaint industry with the pneumatic option, its strong points and limitations, so that through an interdisciplinary approach,

the cheapest and best system can be devised.

Drawing on 29 years of experience in the field, Paterson links the theoretical with the practical in terms that the mechanically minded layman should readily understand.

The reader will find physical laws relating to pressure outlined, and temperature relationships of gases simply explained.

On the practical side, air-activated devices are shown in detailed drawings combined with a text detailing their uses, limitations, and means of rectification.

No pure theoretician, Paterson has achieved some remarkable savings for New Zealand industry through the use of pneumatics.

Some 15 years ago Tasman Pulp and Paper was looking for a system to recycle its chemicals. Engineers from Bowaters wanted to use an electronic automation system, but the local Tasman management thought there might be a cheaper alternative.

Paterson was called in and given less than 24 hours to come up with a system that could be presented to a board meeting.

Paterson's pneumatic system, costing one-fifth of the Bowaters' system, was adopted and has been in operation since.

Bowaters took Paterson's concept to use in a new pulp and paper mill in Canada.

Another New Zealand establishment installed a \$20,000 microprocessor to do

a job that could have been done by \$40 worth of pneumatic equipment.

In 1959, Paterson designed a pneumatically controlled butter packer that has been exported all over the developed world.

A major international engineering company had invested \$2 million in the development of an electronically controlled butter packer and gave up, Paterson said.

He is now putting the finishing touches on a more advanced second book on pneumatics.

The publishers, McGraw Hill NZ Ltd, hope to export Paterson's books as "exported technology", rather than just the export of a book. Foreign Affairs and the Department of Trade and Industry is being consulted.

Title: *Practical Pneumatics* By E.B. (Scotch) Paterson. 143 pages. Price \$18.95

Customs flow streamlined

INCOMING international travellers irked at the long time taken to get through airport formalities should try arriving at Christchurch.

Customs procedures are being streamlined for the next three or four months on a trial basis to clear passengers faster.

The European non-stop "green channel" is not being introduced but selection for degrees of inspection is being reorganised to include a fast lane of how to get there. Details are being kept secret to stop the "undesirables" using the new system to maximum advantage.

The ordinary traveller is already getting through Customs quicker and to help speed up the process officers will accept some plastic money to bring those duty free bargains closer to the high New Zealand prices.

Visa and Bankcard have signed agreements with the Customs Department. American Express and Diners Club are still haggling over commission rates.

Cash registers are now installed to issue automatic receipts for those who still believe in using the real thing.

Customs Officers are aiming to cut times by at least 10 per cent - on occasions the target has already been exceeded - while still ensuring effective enforcement.

Additional relief for the overseas traveller may be in sight. Customs Minister Hugh Templeton is studying proposals to increase duty-free allowance.

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Profile

"Witch's brew" that sells — and the woman who concocted it

by Warren Berryman

EXPENSIVE unusual and distinctly New Zealand, Ti-Toki liqueur entered the market late last year.

Initially the liquor industry treated the brown and jade coloured stoneware tiki crocks and their contents with scepticism, maintaining the \$25 to \$27 price tag was too high even for the top end of the local market.

Now, after the first batch of 10,000 crocks has been sold, merchants are queuing up.

Export markets, too, are opening up for the liqueur which is flavoured with a secret blend of manuka honey and crushed leaves from our native bush.

Behind Ti-Toki is Diana Balich, managing director of Auckland's Balic Estate Wines.

Balich came up with the idea, formulated the recipe made the liqueur and developed the marketing strategy.

"I am trying to prove I can do something totally on my own. One gets too comfortable in a family business. I want to feel the adrenalin flowing - to feel exposed - without the apron strings of the family. It's been a worthwhile exercise", she said.

Balich has been involved in the family winery since she was a child. She left university to take over the business when her parents died 14 years ago.

And how is she treated by her peers in the male dominated liquor business? "With benevolent respect", she said. "Ti-Toki liqueur owes its origins to Balich's 'major vice', horseracing."

She bought 90 acres in the Waitakere three years ago. The land was to be cleared, first to provide pasture for her brood mares and later, when the soil

was right, to plant grapes.

"I like to see how my money is being spent so I went for a ride on the bulldozer. The smell of the crushed bush set my imagination going."

To capture that smell and bottle it as a liqueur, Balich studied books on native plants. After two years she came up with the recipe for Ti-Toki.

Ti-Toki has a grain spirit base to give it a 78 proof kick. The distinctive flavour comes from six ingredients including manuka, honey, crushed leaves, and bits and pieces from native trees such as manuka, kawakawa, and ti-toki.

Balich said she often hears it described as her "witch's brew". But it sells.

Launched in October, the first bottle of Ti-Toki was presented to Prime Minister Rob Muldoon. Soon after, the first order was placed and Ti-Toki was served at the opening of the New Zealand Embassy in Washington DC.

An order from Air New Zealand followed. Duty-free shops, free of local sales tax, began to sell the distinctive bottles.

Balich said she now has an order from Los Angeles for several container loads of 900 cases each. All that stands in the way of filling the order are some niggly bureaucratic requirements from American Federal liquor authorities, such as changing the wording on the small cards which hang from the crock necks.

Balich said she wanted to develop the American market first, then move on to Germany, Austria, and Japan where interest has been shown in the liqueur.

Balich said she hoped to produce 10,000 crocks of Ti-Toki a month - 10 to 15 per cent of this for the local market and the rest for export.

Retail prices in the United States would be in the US\$27 to \$28 range, she said.

Ti-Toki is sold as much for the bottle as for the contents. Tying in Maori folklore with the ingredients from the native bush, the hand-glazed crocks were fashioned in the shape of tiki.

Balich points out that when emptied the crocks serve as attractive book ends or lamp stands, or can be kept as a collector's item.

The consumer in New Zealand pays about one-third for the crock, one-third for the contents, and the remaining third in tax when he buys a bottle of Ti-Toki.

"I don't package the crocks", Balich said. "I think it's part of the magic of selling to let the consumer pick up and feel the crocks."

The crocks are made by Orzel Industries of Runciman, with a guaranteed lead-free internal glaze.

Aspects of the crock design will be changed each year and each crock will bear its own unique number and date stamp, Balich said.

For the local market, Balich said she was thinking of offering refills in plain glass bottles so the purchaser could use their original bottle as a decanter.

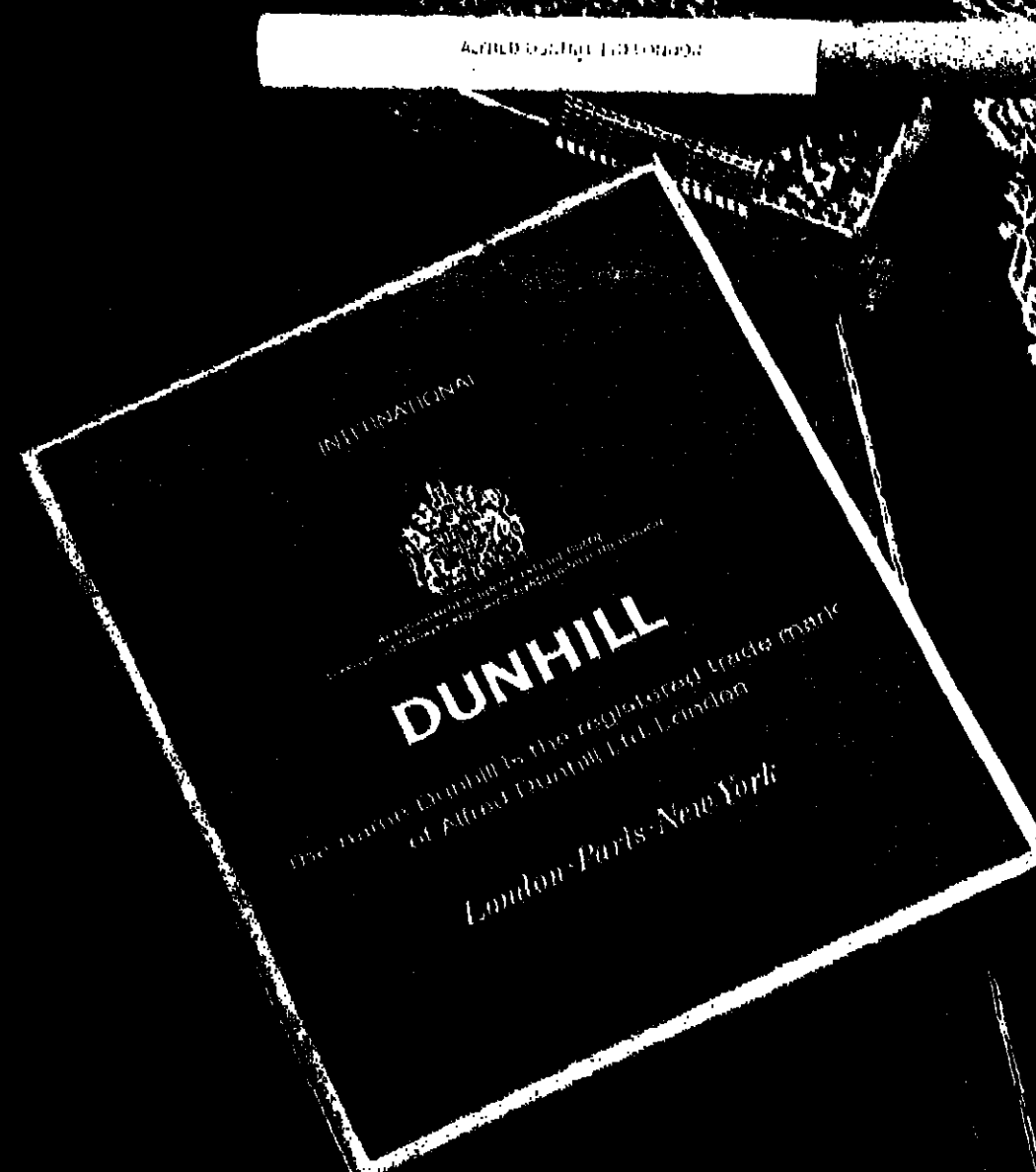
Balich said she was not aiming at high-volume sales. Both here and overseas the liquor is to be slotted into the top end of the market.

"It's about time New Zealand had a drink with an image - something we can be proud of", she said. "I think this product is unique. I don't want to sell in bulk."



DIANA BALICH ... cutting the apron strings.

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Admark

Adman turns poet

INSIDE every advertising copywriter are thousands of words trying to burst out and be arrayed in print.

Scribbled cacoethes, as the ancients called it, or "scribbler's itch", is an incurable disease. So it is no surprise that former copywriter and advertising agency principal Len du Chateau, long retired from a copy desk but actively farming in Manawatu, has published a volume of poetry.

This slim collection of poems, titled *Let the Falcon Fly*, is printed by Pegasus Press, Christchurch.

Its contents closely reflect the author himself, displaying a keen love of nature and a countryman's power of observation, recording with the recall of a camera lens — of the black oystercatcher that "strolls the tide-edge like good, black-gowned priest" of the "sun-winged and scarlet-masked" goldfinch, of the "white-wine

water, bubble-laced beneath the falls".

There are poems of sentiment and nostalgia and some with wry philosophic comment. There are others which disclose the impish humour of the man, such as the couplet: "I really do not want to squeal, but my wife was driving with me at the wheel."

My favourite is the flittingly rumbustious piece entitled "October Norwester" — a "great drunken sailor of a wind" which is invoked to "Slap the fat bottoms of Persil wash-day wives, lick the brown grassy cloth of hills... kick the iron high/unpeg sheets, lift skirts, raise hats, slam doors and when at six you're thrown out in Manners Street, flip the man's tie."

Unlike much modern verse that poses as poetry, but like good advertising copy, the work is graphic, lucid, comprehensible. For all sorts of reasons, older copywriters (and admen generally) will want to own their own copies. Young copywriters in search of word magic, will do well to read it. — Grev. Wiggs

Agency earns US award

MCDONALDS International not only hands out fast foods faster than any other fast food operator in the world. It also hands out awards to its top advertising agencies.

Because it operates in 30 countries, and in the United States alone employs 75 agencies, the awards are coveted by competing agencies.

David Danurand, a senior McDonalds marketing executive from Chicago, was in Auckland recently and presented the "Ed Schmitt International Local Store Marketing Runner-Up Award" to Inglis Wright account manager Bill Buchanan. It took the form of a specially struck plaque, plus a cheque for \$500.

With the award went Danurand's commendation that the series of New Zealand promotions was an outstanding example of a totally

professional contribution to the international marketing programme.

Migrants need recognition

EACH year the Clemenger Network of advertising agencies (represented in New Zealand by Colenso) publishes a research project in the interests of advertising and marketing people.

Previous projects have dealt with such subjects as inflation and corporate advertising and this year's study set out to produce a picture of the migrant woman and the problems she encounters in Australia.

Considering that 24 per cent of Sydney's total population and 30 per cent of Melbourne's is of non-Anglo Saxon origin, it can be seen that there is a very real need for a review of the problems facing these people.

"To a very large degree, it seems to us, the migrants are underestimated in terms of sheer numbers and totally

misunderstood by many marketers who claim to be customer-oriented," Clemenger says.

Does this apply to the New Zealand situation? We certainly do not have the same proportionate problem as regards non-English-speaking ethnic groups. There are relatively few in this group.

But a prominent and well recognised grouping is that of the Pacific islanders who number about 60,000, of whom some 49,000 were born in their homelands. English is not a first language for the island-born and in many cases their command of it will never be total.

Of that 60,000 we understand that 40,000 live in the greater Auckland area and together with our Maori people earn for that city the title of the Polynesian capital of the world.

Radio Pacific is the first medium we are aware of which is attempting to provide access to that market of Pacific islanders — a market equal to the population of Whangarei or Wanganui.

It provides a three-hour evening programme, five nights a week, called Pacific People. In turn, each night's programme is addressed to our Maori people, Tongans, Samoans, Cook Islanders and Niue Islanders.

We believe this makes fine marketing sense but its worth in a cultural sense goes even further. We quote from *The Migrant Woman*.

"From the fifties and into the sixties most Australians believed that non-English speaking migrants would soon assimilate into the Australian community. Most of us believed that the newcomers could, would, and should assimilate. Eventually some Australians seriously questioned these assumptions."

"Gradually a new consciousness emerged in the community. We began to recognise that Australia was becoming a multi-cultural society. Indeed, we even reached the stage of acknowledging that these migrant cultures could enrich the Australian community."

Are we in New Zealand ready to reach the same conclusion?

It's CLIO time again

ENTRIES for the 1980 CLIO Awards will now be well on their way to the CLIO office in New York. The deadline for the arrival of entries is February 1.

All advertising introduced for the first time during 1979 and through to January 1, 1980, is eligible for the competition, but this restriction does not apply to package design or TV/Cinema displays.

Judges meet during February, March and April in New York, Los Angeles, major advertising centres throughout the world. In 1979 more than 1000 judges participated.

Criteria for appraisal judging involve: Is this an effective piece of sales or communication? Does it require impact and motivate a viewer, listener or reader? Is it believable, tasteful? Does it employ imaginative techniques that support the message?

The judges' initial task is to winnow down the number of candidates in each category marking them against a set of values. Entries selected by the judges are then judged against each other.

American and international winners are announced at awarded the coveted CLIO statue during Festival Week New York City and Los Angeles from June 9 to 16. Complete information about activities is mailed to all entrants in April.

The week consists of a series of award luncheons, a gala evening and daily display and screenings of all finalists in television and cinema print, packaging design and speciality advertising.

Winners in each product and technique category receive a CLIO statue of the award, the advertiser, agent and production company. Finalists and winners receive certificate of recognition which carries all individual credits as furnished by the entrant.

The New Zealand representative for CLIO is South Pacific Television.

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Health

Wine: fashionable opiate of the medics

by Bellinda Gillespie

HEART disease, the scourge of the middle-aged, sedentary, professional class male is said to be the favourite disease of doctors, who are among its most likely victims.

Health funds and medical advice are devoted in disproportionate amounts to coronary disease, while other forms of ill-health of less direct interest to the medical profession are left in a state of relative neglect.

What goes for disease goes for liquor as well, it seems, because doctors have become advocates for wine, the drink that accords best with their aspirations and life-styles.

Christchurch doctors Don Beaven and Morgan Fahey promote wine because they say it has health benefits and is less likely to cause road accidents than beer. They might stop short of advocating it as a substitute for tea and coffee — the function which George Mazuran, chairman of the Wine Institute, claims for it. But they might agree with his suggestion that the alcohol in wine is a mere afterthought — that people appreciate wine for its aesthetic and socialising qualities, not for its uncouth ability to make them drunk.

Up in the Olympian air inhabited by wine buffs, the intoxicating effects of wine are, if anything, a source of embarrassment.

The nuances of soil, climate, and season which nourished the grape are among the things that they relish with each glass, enhanced by the personal touch and style of the winemaker.

On the health side, there is a long line of doctors from Hippocrates down who have advocated wine.

Don Beaven says wine is valuable for treating anxiety, sadness and sleeplessness — and suggests that the country could save itself some of its \$7½ million overseas expenditure on sedatives and tranquillisers if the population took to wine (sensibly and in moderation, of course) instead of popping pills.

Most of the health benefits claimed for wine are based on the results of studies which need further substantiation. Many are traditional, part of the history and diversity of the only alcoholic drink that has the distinction of being served in church.

In wine-drinking countries, wine is an important source of calories — around 100 per glass of New Zealand Riesling or Cabernet — more if sweet. Other beneficial effects such as stimulation of the appetite, and enhancing the enjoyment of food, are largely subjective, but generally agreed upon by wine-lovers.

To the nutritionist, wine differs little from other alcoholic drinks. Like beer, wine, contributes a few other nutrients besides energy, and these are likely to be trodden out by enthusiasts as evidence that a glass of wine is at least as good as an apple a day.

But the vitamins in grapes are depleted in the wine-making process, and minerals, with the exception of iron, are negligible. Although not present in large amounts, the iron in wine is in a form which is well-absorbed — two glasses of red wine can provide about one-fifth the daily iron needs of an adult male.

Cheap wines are reported to be particularly high in "B" and "W" vitamins. In fact, they drink four litres of wine commonly, suffer from

overload or siderosis, where excess iron is deposited in the liver and other organs.

Another fascinating feature of wine is that it is high in potassium, but low in sodium, whereas processed foods generally have the opposite ratio. Foods with too much salt (sodium chloride) and too little potassium have been blamed as a cause of the increase in hypertension in western society.

For people with high blood pressure, or other medical reasons for cutting down their

intake of salty foods, wine could be a bright spot in a dietary regime, generally found irksome by those for whom it is prescribed.

To the healthy adult, however, two or three glasses of wine daily make no important contribution to the diet, and are significant only if weight is a problem. As an appetite stimulant, as well as for the calories it contributes, wine is a hazard for overweight people.

The Alcoholic Liquor Advisory Council has made it

well-known to the New Zealand public that those who drink should eat at the same time. A belly full of food buffers and slows down the absorption of alcohol.

The blood alcohol level of a drinker who has eaten never rises as high as that of one who has not, though they have drunk equal amounts.

But apart from the question of food, different drinks are absorbed at different rates. Gin, vodka and whisky produce the highest and sharpest peaks in blood al-

cohol, followed by those for fortified wines. Table wines, and finally beer, produce lower and flatter curves.

The mystique of wine — whether it has special qualities (apart from mere alcohol) which can be scientifically measured was the subject of a recent American study.

Wine and alcohol are not synonymous, the experts concluded. The "congeners" — secondary products formed in alcohol during fermentation — were thought to be responsible for the improved ab-

sorption of the minerals calcium, phosphorus, magnesium, zinc and iron, which were seen in the subjects tested when they drank wine (or dealcoholized wine) rather than pure alcohol or water. Another explanation put forward was that the natural acidity of wine, which is close to that of gastric juice, might enhance absorption.

Nevertheless in advocating wine for health, doctors are on shaky ground. The trouble is that they are advocating a way of life, not a drink.

• Turn to Page 23

NEW MICRON READERS

6 clear winners from Micron

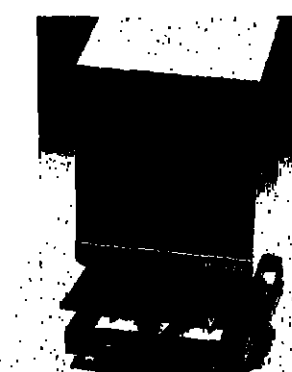
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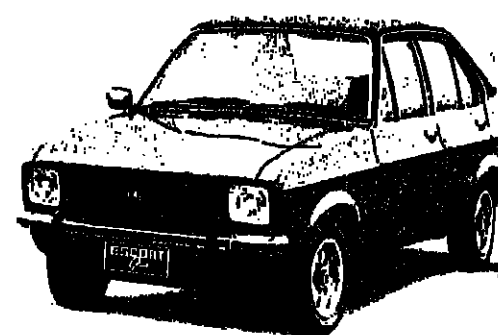
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Insurance

International danger signals on underwriting

by John Sloan

CLIENTS who benefit from reduced premiums disregard insurers' underwriting losses because "they make a profit on their investments". That attitude, which crystallises the insurer's dilemma, has been noted by Australian Federal Insurance Commissioner R Kirkpatrick.

"Because of the almost complete reliance on returns from investment, any decline in investment yields must have similar deleterious effects," he said. "There is no divine law which says investment yields will always remain high".

Kirkpatrick was not happy at the "apparent acceptance of permanent underwriting deficits as a new principle of insurance".

His views echoed those expressed in an article appearing in *Best's Insurance News Digest* in 1976:

"The element that is essential to the success of an insurance operation is the achievement of an underwriting profit, said the digest. "Underwriting is the foundation of the source of money for investments."

"If profits cannot consistently be produced from underwriting, then ultimately the company will be leveraged into an impossible position. A management that accepts a satisfactory combined ratio of 102 invites disaster."

"Planning that conceals an underwriting loss runs contrary to the very purpose of engaging in the insurance business and contributes to the erosion of the basic undertaking. Economists presently seem agreed that the long-term outlook is for inflation at a rate two to three times that which prevailed up to the early 1970's, and the insurance industry is now faced with the need to support two types of growth: a growth that keeps pace with inflation, and real growth in new business that keeps pace with an expanding economy."

"The remarkable underwriting profits recorded in 1971 and 1972 were destroyed by the failure of company man-

agements to recognise the accelerating change in social and judicial attitudes with which were combined the onset of substantially higher rates of inflation than had existed for nearly two decades.

"Not only were these two dangers overlooked, the industry simultaneously indulged itself in competition for premium volume to such a degree that rates were pushed to ruinously low levels. The outcome of this bad timing in the race for discounted premiums when more or less money was needed to cover an expanding risk potential, should have created in the minds of carrier managements a permanent impression of the folly of ignoring the necessity for an underwriting profit."

Many people had lifelong attitudes imbedded in them as a consequence of the Great Depression.

Beis said: "The operation of the insurance marketplace was such that there was a tendency to follow the loser, and many companies were willing to write business at known inadequate rates rather than pass and pick it up at the right price on the rebound."

"No company that is cutting rates can take all of the market, or even enough of it to set waves in motion if companies, which know the difference between a realistic rate and a hopeful one decide - in their own interest and that of their policy holders - to stay with rate adequacy," Beis said. "If enough companies get caught up in the hunger for premium volume and will sacrifice sound underwriting to get it, everyone pays eventually through a constricted market."

At a meeting of the Irish Institute of Marine Underwriters, chairman R Richardson said he could foresee "with some regret" a possible change in the conduct of the members' business.

"Will we be in the hands of our investment managers? In other words, will business be underwritten on a minimal profit based on the premise

that our investment income will provide the appropriate reserves?" he asked.

"If so, we are surely on the way to financial disaster. When one considers the cost of insurance compared with transport charges our return is minimal for the service and claims expertise which we as an industry provide."

"We are all involved and it may well be that two to three years of a loss situation coupled with major casualties will make us realise our mistakes. If we pretend that major catastrophes cannot happen we are surely deluding ourselves."

A recent article by W F Kinder, of McKinsey & Company, concentrated on the recent performance of the leading property and liability insurers in the United States.

Kinder concluded: "Is their

success due to good management or good luck? Our thesis is that the top companies clearly have at hand what even the poor performers know to be the ingredients of consistent combined ratio leadership: (1) a high-caliber management team, both at headquarters and in the field; (2) an ability to anticipate (and, more important, to act on) next year's problems and opportunities now; (3) tight control over the elements of pricing and service at the interface between underwriter and producer; and (4) effective co-ordination of marketing, underwriting, and investment strategies."

"Companies that sought to match the performance of the leaders would have to acquire these same ingredients," Kinder said.

If they had demanding performance standards and

were equipped to find and train managers who could meet those standards, they would get started on the right foot.

Beyond that, they would need support from planning and control systems that looked ahead, and did not merely recycle the past.

As for companies that ignored these basic ingredients for success, "they are probably destined to remain the laggards of the eighties - constantly buffeted by external forces and unable to show an underwriting profit even in the most favourable years of the cycle", Kinder argued.

Commenting on the Canadian insurance scene, Gordon S Finlay remarked: "Informed observers here are convinced the industry is heading for a sea of red ink, as the intense price competition now raging throughout the

business eats away at required premium income levels, and the number and cost of claims begin to climb from the low levels of recent years".

In spite of this experience, the Ontario Government has released a report on the insurance industry, which rejected direct Government intervention in rate making in favour of a beefed-up monitoring system that would require regular reporting on company profitability, rates of return and proof of independent premium pricing.

The report favoured open competitive rate regulation on the grounds that "the mechanisms of a competitive market place are likely to provide the best safe guards for delivery of the insurers product at a price that bears responsible proportionality to cost and normal rates of return".

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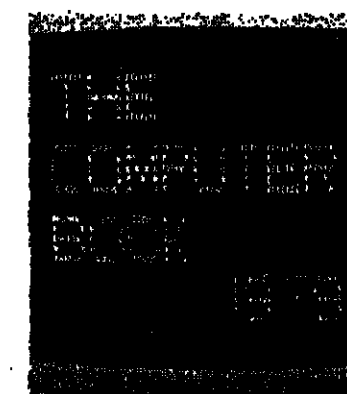
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Do you succeed or fail as a manager?

If you have reached the point where you must accomplish things through others, an impressive, straight-talking new guide will alert you to the human errors which defeat two out of every three managers. *Why Managers Fail... And What To Do About It*, by John J. McCarthy, is a management guide with a very real difference. There are countless books containing 'how to be successful' tips... this is the first serious management guide to approach the subject from the other end, the first to pinpoint the weak links in managerial approaches by looking at mistakes other managers have made. For a measure of your success as a manager as well as a taste of what *Why Managers Fail... And What To Do About It* has to offer, spend a few minutes answering questions from the self-test that appears in John J. McCarthy's provocative and stimulating book...

- When you are considering a candidate for employment, do you interview him for:
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 - Two or more hours. ☐
 - One hour. ☐
- How many people do you have interview each applicant?
 - One person. ☐
 - Two persons. ☐
 - Three or more persons. ☐
- Tick any of the following that typify your managing methods:
 - Do you consider only requirements of the position for which the applicant is being hired? ☐
 - Do you consider requirements of the next job to which he can aspire? ☐
 - Do you consider him for positions you must eventually fill to meet growing plans of your company? ☐
 - Do you consider him as the eventual manager? ☐
- Do you refuse to hire people who:
 - Wear bow ties. ☐
 - Look like someone you knew and didn't like. ☐
 - Smoke cigars or pipes. ☐
- Have you read a book on interviewing techniques?
 - Taken a course in interviewing? ☐
 - Do you find out why he really left his last job? ☐
 - Do you check references? ☐
 - Do you hire on the basis of where he ranked in his college class? ☐
 - If he is over 30, do you hire him on the basis of his educational background? ☐
 - Do you challenge judgment of interviewers (get reasons for their opinions)? ☐
- Select the answer which most closely describes you:
 - Do you try to be one of the boys (with your employees)? Or ☐
 - Do you really follow a policy of being firm but fair? ☐
- Do you follow the Golden Rule? Or,
 - Do you try to find out what your people want? ☐
- Do you have a profile on each employee, including such items as his hobbies, family, personal goals, prejudices, likes, birthday and so forth?
 - Do you keep it up-to-date? ☐
- Do you think of each employee as he used to be when he joined you?
 - Do you keep informed on his growth and see and treat him as he is now? ☐
- Do you lose interest in assignments after they are launched because you hate detail?
 - Do you set up management by exception targets so you'll be flagged promptly when things first start to go wrong? ☐

John J. McCarthy's *Why Managers Fail* self-test asks another 60 probing questions and then rates your success as a manager. But, of course, the book does far more than this. Its principal purpose is to alert managers to the danger signals in their approach to people. John J. McCarthy, writing from 50 years experience in the diverse fields of manufacturing, personnel management and industrial engineering, pinpoints common mistakes in the ways managers see their jobs and their staff, in the way they handle themselves and subordinates, and in the way they meet their responsibilities for planning, organising, and measuring results. This important new management book is available only through the Fourth Estate Group. Fill in and post the coupon below. If not entirely satisfied the book can be returned within 10 days and your account will be credited or payment refunded.

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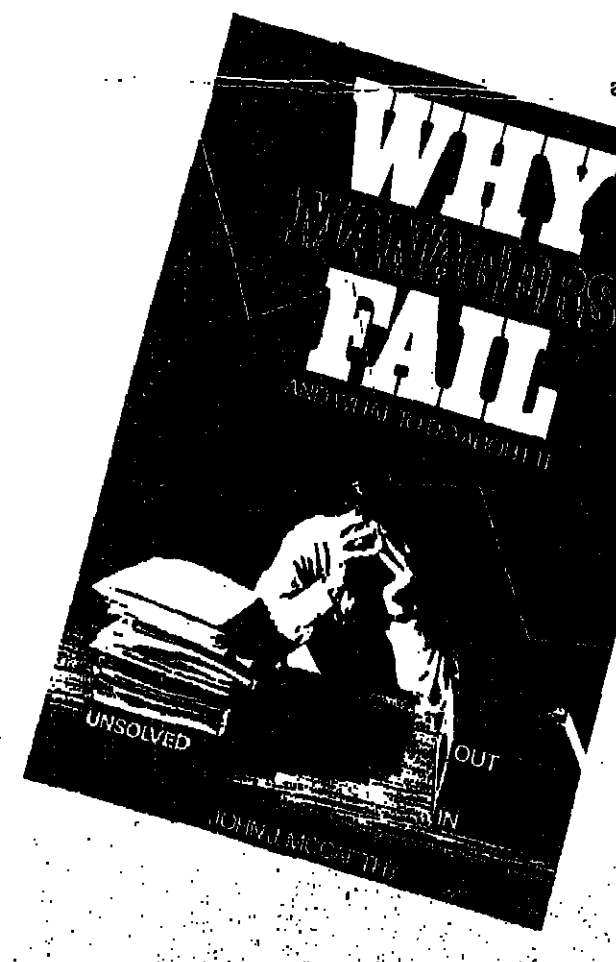
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Wine

Watch needed over a product called 'wine'

by Frank Thorpy

THE row over the marketing of Brother Dominic, and university research which pinpoints the amount of water and cane sugar added in New Zealand wines highlighted the need for further tightening and policing Food and Drug Regulations.

Ormond, owned by Montana, is marketing an alcoholic beverage labelled as Medium Dry White 8.5 per cent by volume of alcohol. It is packaged in gaily coloured wine casks costing \$9.95 each.

Because of its price and its ready sale, it has aroused the ire of some competitors who say it is an illegal concoction,

The Wine Resellers Association has advised members to remove it from their shelves because there is doubt whether a non-wine may be sold under the terms of the wine resellers' licence.

The irony is that if Montana had added the word "wine" to the Brother Dominic label, there might have been no fuss. The liquid was thought to be a compound of water, essence, alcohol and sugar with little or perhaps no grape juice at all.

Though barred by wine clauses under the Food and Drug Regulations, many such concoctions have or are being sold as wine.

Offenders seem to be able to market their wares with impunity.

By not calling their product "wine", the makers of Brother Dominic seemingly did not offend under the Food and Drug Regulations, though some think a point could have been made under Clause 8, governing misleading statements.

The Health Department analysed the beverage and Montana agreed to stop using sulphur dioxide as a preservative and to enlarge the words "alcoholic beverage" on the cask so the product would not be confused with wine.

The Health department has decided not to prosecute Montana.

Wine is a complex, aqueous solution consisting of about 97 per cent by volume of ethyl alcohol and water. The remaining 3 per cent is made up of minute quantities of other substances, any of which are complex in nature and difficult to analyse.

Connoisseurs have always asserted there is a difference between natural grape water and added water, and a difference between natural grape sugar and added cane sugar. The difficulty has been to determine and analyse the difference scientifically as distinct from a mere tasting.

Scientists at Waikato University have come up with what they consider the answer.

In a preamble to a provisional patent application by O J Dunbar, M Phillips, Dr C H Hendy and Dr A T Wilson, they state: "We have developed, over the past two years, two techniques which enable us to determine the percentage of cane sugar and the percentage of water which has been used in the manufacture of wines, and other fruit juice products."

"Although the addition of cane sugar to grape juice in the wine-making process is legal, and is in fact common practice in New Zealand, the addition of water to the grape juice is illegal."

"Our preliminary survey of a random sample of commer-

cial wines has shown that the addition of substantial quantities of water is widespread, and in some cases more than 95 per cent of the water and more than 95 per cent of the sugar have come from tap water and cane sugar respectively.

"We believe that the publication of these two techniques, and the results of our survey will have a dramatic effect on the wine industry in New Zealand, and other wine producing countries."

"In New Zealand, it would appear several tens of millions of dollars per year (calculated at retail level) have been made from illegal addition of water to grape juice in wine making. For this reason, we feel it necessary to protect these two potentially very useful analytical techniques with appropriate patents."

The process consists of measuring the heavy isotopes of hydrogen and oxygen as found in grape water as opposed to meteoric or natural water.

Grape water contains more heavy isotopes and through a complex process, scientists are able to measure the isotopes in a wine. If the isotopes are the same as in grape water or in wine known not to be adulterated (such as experimental wines from Te Kauhwhata), there is no added water.

Lamentably, few wines have been found to be without added water, which sometimes adds up to as much as 90 per cent.

The better class table wines, labelled as varietal wines and costing over \$4 a bottle have been the least offenders.

The results of further experiments will be released in a few months.

The amount of cane or beet sugar added may be determined by a similar process, except that carbon isotopes are measured.

The machine used is a spectrometer, valued at \$90,000. There are only two in the country, one at Waikato University, the other at the DSIR in Lower Hutt.

Experiments are costly (\$30 a sample). But for the good name and future of the wine industry, and in the interests of consumers, the wine regulations should be tightened and effectively policed by the Health Department.

Transport

Hovercraft are flying into a bright future

by Robert Hounscome

JUST 20 years ago a "flying saucer" — as the somewhat weird-looking hovercraft prototype was dubbed — crossed the English Channel. It was a historic journey which proved the feasibility of this new form of transport.

Today the huge descendants of that first "flying saucer" negotiate the English Channel and other waterways. A "C" of the world with a regularly scheduled service, which has become an accepted part of the local scene.

It was as long ago as 1865 that a British naval architect, J Scott Russell, conceived the idea of using a cushion of air to reduce friction between a ship's hull and the water and help propulsion.

But it was not until 1955 that another Englishman, Sir Christopher Cockerell, turned theory into practice and demonstrated the point with a model in a water tank.

Within four years the British Hovercraft Corporation (BHC) had built the first man-carrying machine, the SRN1. It weighed just four tonnes.

Today seven hovercraft regularly ferry passengers and vehicles across the Straits of Dover.

The largest in the world is the SRN 1's successor BHC's Super 4, "The Princess Anne". She is 56 m long with a beam of 28 m, weighs 305 tonnes and can carry 416 passengers and 60 cars at speeds up to 65 knots. And she is licensed to operate in channel winds up to gale force 8-9 with significant wave height of 4 m.

Two Types

From the earliest days hovercraft developed along two lines. One, the amphibious hovercraft — exemplified by BHC's craft — has no mechanical contact with the ground or water surface. The air cushion is contained within a flexible skirt encircling the craft which uses air-fuel systems for propulsion, and control.

The second type, known as SES (surface effect ship) pioneered by another major British company in the industry, Hovermarine International. It is also air sup-

ported, but it has rigid sidewalls with flexible aprons only in the bows and stern. It also has underwater propellers instead of air screws.

Both types have their particular advantages, and both are widely used throughout the world.

The first regular hovercraft service was inaugurated in 1968 by British Rail's Seaport using a BHC-built SRN4 Mk 1, "The Princess Margaret", which had a carrying capacity of 254 passengers and 30 cars.

In 1978 — only 10 years later — six craft were regularly operating across the channel, making 11,400 crossings among them that year. They carried 1,800,000 passengers and 309,000 cars — a quarter of the total traffic transported on the short sea cross channel routes.

With "The Princess Anne" bringing the number of craft to seven, and with each one making the 35-minute journey up to 14 times a day in the summer, the cross-channel operation last year offered almost 6 million passenger seats and 750,000 car spaces.

"The Princess Anne" and its sister craft, "The Princess Margaret" — now also redesigned and stretched to Super

4 specifications — together with "The Ingenieur Jean Bertin", a Sedan N500 built for French National Railways, all operate under the Seaport flag between Dover, Calais and Boulogne.

Another company, Hoverlloyd, which was formed in 1969, operates four 200-tonne SRN 4 Mark 2s — between Ramsgate and Calais.

Each can carry 280 passengers and 37 cars at speeds up to 65 knots and makes the journey in about 40 minutes.

Last year the Hoverlloyd fleet carried 1,260,000 passengers and 233,000 cars, but this is still only a beginning.

The company is now launching an annual expansion programme aimed at building up the fleet to 10 craft by the late 1980s.

The practical proof of the hovercraft's efficiency supplied by the English Channel services has long since convinced other operators around the world. Now nearly 300 craft are in use by some 30 ferry operators.

More than 200 are operating in the Soviet Union, where they are ideal for the extensive river networks.

Apart from Britain, where there are now 16 craft in service — the next largest user is

Japan with about 14, followed by Hong Kong with 10.

The hovercraft in Hong Kong are all Hovermarine sidewalls — four 216 and six larger 218s (the latest of which was delivered this year). Three more 218s are on order.

The Hovermarine 218 is 18.29 m long with a 6 m beam and has a top speed of 34 knots. The commuter version has 92 seats and there is an 86 seat luxury version.

Many other countries — among them New Zealand — have one or two hovercraft ferries, with plans for expanding into further services.

Already BHC is forecasting that from 1981, with enhanced efficiency and technology and larger craft becoming available, the hovercraft will be able to compete economically with conventional ferries on routes up to 330 km.

New and quieter engines — which BHC believes will reduce fuel consumption by as much as 30 per cent — new skirt geometries and materials and improvements in hull design are combining to make the hovercraft more cost effective, safer, more comfortable and capable of operating over rougher seas and — in the case of amphibians — over more rugged and uneven terrain.

In addition to its role of passenger and car ferry the hovercraft is also proving its value in a growing range of other commercial and military duties. It already works as cargo carrier, excavator and drilling platform, barge tower, cattle wagon, rice harvester, lifting rig, search and rescue vehicle, ambulance and mobile hospital.

Hovermarine International has recognised this changing emphasis. From its previous concentration on the high speed ferry market it has broadened its interests by introducing the hull platform concept and adapting special purpose applications to its well proven basic hull and machinery range.

Hovermarine craft are now in use as coastguard and port patrol boats, fireboats and — in a military role — as fast attack boats.

Many experts believe that the hovercraft's unique characteristics, widening capability and increasing cost effectiveness make it ideally suited to the needs of the developing world.

By the 1980s, they claim, hovercraft are likely to be widely employed in Africa, Latin America and South-east Asia, in the Pacific islands and in China.

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ADE H20

US chemical giant strikes at Godzone ploughs

by John Draper

GODZONE is Utopia to Monsanto's regional manager Allan Scherp.

The American chemical giant is rapidly rounding up sales in the conservation tillage field with the timely introduction of a new herbicide.

In two years the product has become one of the top three selling herbicides, yet the market has barely been scratched.

The herbicide will make ploughing obsolete. Monsanto estimates that 1 per cent of agricultural land — nearly a million hectares — will be turned over to chemical ploughing (as conservation tillage is also known).

The concept is not new. ICI, Monsanto's British competitor, was years ahead of its time in researching and developing the system in the 1960s and bringing it to New Zealand in the early 1970s.

Instead of burying nutrient-rich plant material below the roots of the planted crop with the plough, conservation tillers eliminate weeds with herbicides and allow the beneficial earthworm to work the soil and sow by drilling direct into the otherwise unprepared paddock.

The system saves weeks of lengthy preparation as well as time and fuel. Monsanto's breakthrough is "Roundup", a herbicide that destroys the most hardy weeds without leaving any residue or harming animals.

Its discovery was by chance in the late 1960s, when industrial-orientated chemicals were screened for other potential uses.

Its introduction into New Zealand in 1977 coincided with a growing inflation rate that was eating into farming profits.

Roundup doesn't claim to kill off inflation as effectively

as it might destroy weeds. But its use to promote conservation tillage eases the pressure for costly new tractors, ploughs and cultivators which in pure accounting terms cannot earn enough in their lifetime to justify purchase.

Roundup has enabled Monsanto to achieve a marketing advantage over ICI.

Many weeds, specially in the arable cropping areas of Canterbury, are resistant to ICI's product, Gramoxone, which has been used to develop 4000 hectares, mainly in Southland, without the plough.

And Canterbury's modern pioneer, Pier Phillips (he has already sold his plough), began with Gramoxone.

Now he is using Roundup to control the more resilient weeds which the ICI products fail to kill.

Phillips says Gramoxone still has its uses. He will be using more next season and

less Roundup.

But the Monsanto product is surer of success, he argues. There are drawbacks. Phillips says the cost of Roundup discourages many, although the cost per hectare might not be much different from that of other chemicals.

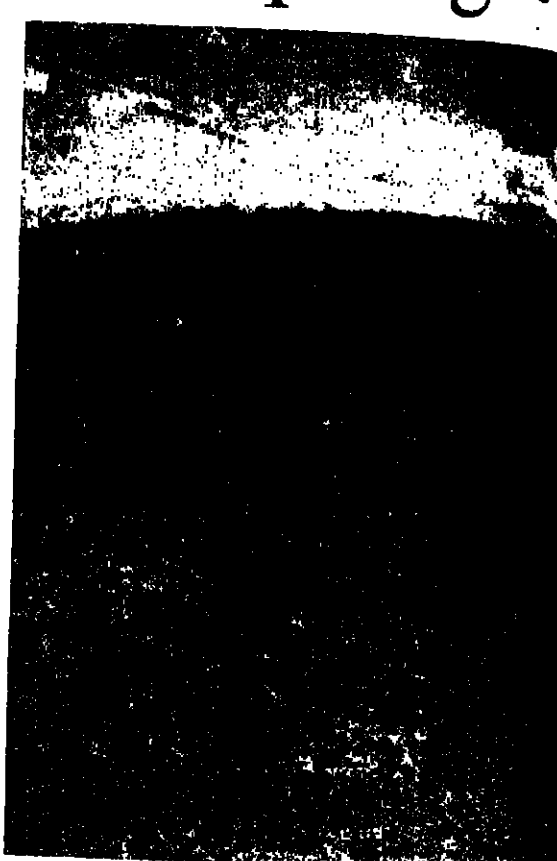
And timing is important to effectiveness.

The growing awareness of the herbicide's potential brought 200 scientists and technicians to a three-day seminar in Christchurch.

Scherp has been critical of the lack of co-ordination among research centres testing and developing the technique, a fault which the seminar took a first step to overcoming.

Despite ICI's early developments, New Zealand is years behind the British and Australian experiences.

In Australia, Scherp says, there are 36 scientists working on conservation tillage. In



TRADITIONAL cultivation vs conservation tillage.

New Zealand, which prides itself on being one of the world's leading agricultural nations, there are two.

Scherp describes Roundup as a technology transfer, but one that Monsanto is not and will not be geared to accomplish alone.

To make the transfer, and thereby generate sales, Monsanto has to demonstrate that conservation tillage is based on sound economics.

The normal practice of farm field days and sufficient publicity alone will not ensure success.

"The word alone is the most dangerous thing," Scherp said.

Conservation tillage is a skilled management technique. Timing is crucial, but need not be dictated entirely by the weather.

Phillips at Rangiora is able to prepare paddocks for sowing when normal cultivation equipment would not be able to work the waterlogged ground.

And the timing can make money through higher prices for the crop and better quality.

Scherp says the vessel Roundup is still at work. It is being used successfully in situations contemplated by theory, although its critics say the product's attributes are not always being fully appreciated in the field.

Lucerne trials are slower results than anticipated.

Roundup has been Monsanto's own health kick in its own right.

Before 1976 its products were marketed through agent, now the company controls its own made operation, although products are distributed locally under contract.

The spread of conservation tillage should benefit chemical manufacturers. Roundup controls the weeds but not insects, which boost the demand for chemicals outside the Monsanto range.

ICI is now working on marketing strategy for early 1980s to capitalise on awareness that Monsanto is creating.

Australian business

Aust. takeover bill gives a voice to the small shareholder

Melbourne Correspondent

AFTER protracted negotiations between the Federal and State Governments new companies legislation to control takeovers has been introduced into the Australian Federal Parliament.

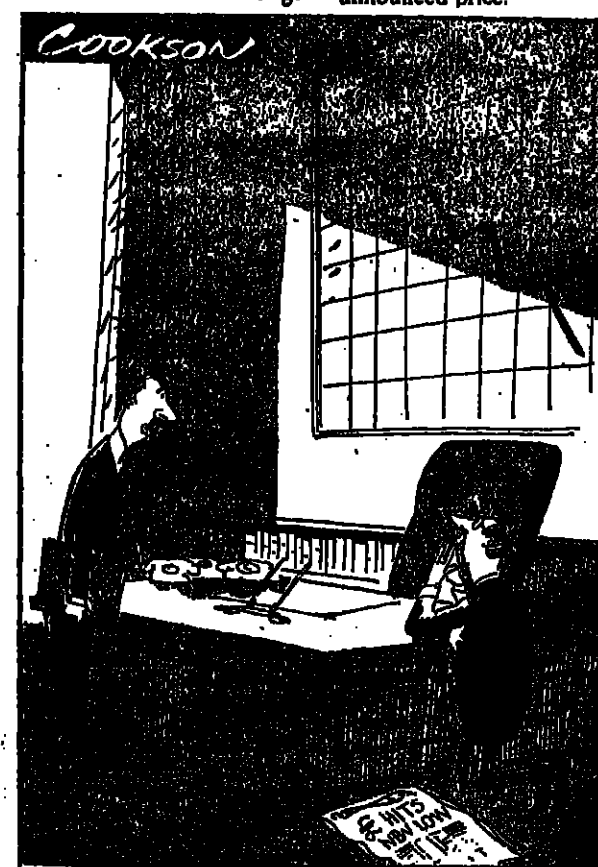
According to some estimates more than a quarter of Australia's top 100 companies have been involved recently in takeovers. Much of this activity undoubtedly has been due to attempts by companies to make takeovers under existing legislation, which will end with the enactment of the new Federal Company Takeovers Bill.

The new legislation prohibits the acquisition above 20 per cent and below 90 per cent of a company's shares unless one of three courses is followed:

- A formal takeover bid under the existing takeover code;
- The gradual acquisition of shares at the rate of 3 per cent every six months;
- The unconditional "on-market" alternative.

Those who opt for the unconditional "on-market" alternative will be obliged to make a takeover announcement on the home exchange.

Life said the legislation ensured an equal right for shareholders to take part in takeover offers, since they would now have the guaranteed right to sell at a publicly announced price.



"It's worse than you think, Harry - even the power of prayer is failing!"

of the target company, giving an unconditional undertaking to purchase for one month all shares offered, at a specified minimum price.

This minimum price will be the highest price paid by the offeror or his associates in the four months preceding the announcement of the bid.

To protect companies from offers that are not genuine, brokers will be liable directly for bids and will have to stand in the market in substitution for their clients.

The application of this "on-market" alternative, however, will not be permitted where the offeror holds 30 per cent or more of the target company's shares — unless an exception is granted by the National Companies and Securities Commission which will enforce the new takeover code.

Introducing the Companies Takeovers Bill in Parliament, Federal Business and Consumer Affairs, Fife outlined the benefits for shareholders in the target company.

He said the legislation ensured an equal right for shareholders to take part in takeover offers, since they would now have the guaranteed right to sell at a publicly announced price.

The Minister said that the new takeover code aimed to ensure that adequate information was available for shareholders to consider offers for their shares.

In effect, they will now receive substantially the same information as they would in a formal takeover bid.

Recent takeover bids or market raids in Australia have enabled some individual shareholders to sell at higher prices than would otherwise be available.

Nonetheless there have been many cases in recent Australian takeovers where the public shareholders, whose capital has made possible the development of the company, have not received a price that fully reflects future benefits.

All too frequently it has been the corporate raider with ready access to large funds which later derives benefits that should have gone to the public shareholders.

Fife emphasised that the legislation was aimed at halting discrimination against small shareholders.

Where the "on-market" alternative is exercised shareholders in the target company will have the additional benefit of being paid almost immediately on the delivery of the scrip.

The NCSC enforcing the new code, was established under separate Federal legislation in August this year.

In relation to the new takeover code itself fines of \$A5,000, or one year's imprisonment can be imposed on those guilty of supplying the commission with false and misleading documents.

But the greatest power exercised by the commission will be that conferred on it by the exemption provisions of the Company Takeovers Bill, under which the NCSC is empowered to exempt persons from compliance with the Act, after such exemptions have been notified in the Commonwealth Government Gazette.

It is the exercise of this discretionary power in practice which will determine in future whether any proposed Australian take-over will occur or not.

The Australian Government's uniform na-

tional legislation puts the "threshold" at which a full takeover bid must be made at 20 per cent of control.

Western Australia has enacted the 20 per cent figure, while Queensland dropped the threshold to 12.5 per cent, as an interim measure until the Federal Government passes its amendments.

Compare that with the situation in New Zealand, where control of a company (Haywards, for example) can pass with more than 30 per cent of the shares being sold at undisclosed prices to a single buyer.

The Companies Amendment Act, 1963 excludes such transactions from our takeover legislation if fewer than six shareholders have the offer made to them.

The Justice Department, assuming it drafts Justice Minister McLay's correspondence, takes a different view of that provision.

When this writer drew an apparent discrepancy to McLay's attention, his reply was that the act is concerned with the offer, giving them an opportunity to be informed before they accept or reject the offer. In the Haywards example it was argued that no one could say the offer was needed such help and the position of other shareholders, to whom no offer was made, was not materially altered.

The change in effective control of a company from two or three shareholders to another two or three appeared, it was argued, to leave the other shareholders legally in the same position as they were before.

The object of the present takeover legislation was not to give a minority shareholder a part in choosing who his fellow shareholders should be. It was said that those who invest in companies inevitably take their chance on that.

The annual meeting of Haywards, held in

O'Brien on business

Changes to company and commercial law likely this year

by Peter V. O'Brien

PARLIAMENTARY Select Committee will hear representations on the Companies Amendment Bill introduced at the end of 1979 (NBR, December 17).

The Securities Commission will probably make progress on its recommendations regarding financial advertising after a hearing last year. The same body is preparing an inquiry into the question of nominee shareholdings in public companies.

Some, or all, of these matters should make the legislation list for 1980, although the Securities Commission's recommendations could be dealt with by regulations.

Interested parties have until March 15 to forward submissions on the Companies Amendment Bill. Much of the proposed legislation is "lawyer's law", which will have little effect on the shareholders and investors in on-going companies.

It should be within the wit of the select committee to add in other provisions to this bill, particularly its attempts to update New Zealand company law are exercises in running flat out to stand still in relation to the law in other jurisdictions.

For example, the rules on insider trading in this country are virtually non-existent, except in cases where fraudulent activities are involved.

Our takeover rules, and disclosure of beneficial interests, have improved, but are still behind those in other countries.

Two Australian States, Queensland and Western Australia, effectively forced the Australian Associated Stock Exchanges to amend their listing requirements after the states enacted their own takeover legislation, rather than wait for national legislation.

The annual meeting of Haywards, held in

December disagreed with some of the angriest scenes reported at a company meeting for many years. And there still had been no disclosure by the end of 1979 of the price which Challenge Corporation and Fletcher received for the sale of their shares in Haywards to H W Smith Ltd.

Part of the problem in these areas of legislative reform is the lack of practical knowledge in the public service on how deals are put together.

This is probably a matter for the Securities Commission. It is hoped so, because the Minister's (and one presumes his department's) attitude is unhelpful.

The Securities Commission will no doubt get around to looking at financial disclosure in company reports in due time. At least that body has people who know about the ways of company directors and executives.

Chairman Colin Patterson, for example, created the Androses Corporation during his Christmas holidays two years ago.

The slow process of legal reform will continue in 1980. Its slowness will probably again provide various operators with good opportunities for quick profits, before they are brought under control.

In the meantime the small fellow is likely to miss out.

Various brokers, who descend on takeovers, or potential takeovers, whether full or partial, should also be brought back into line.

Their rules limit the organisations that they can approach to a specific list of institutions, unless there is an existing relationship.

Organisations outside the categories on the list were approached by brokers in 1979 with offers to buy shares, and there was no existing relationship. That type of activity could also do with some agency's examination.



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Current cost accounting gets a fresh airing

by Peter V O'Brien

THE Richardson Committee report on current cost accounting was required holiday reading in 1977-78.

Two years later no official action has been taken on the committee's report, and present indications are that nothing will be done this year.

Some companies are presenting inflation-adjusted accounts with their annual reports. The Accountants' Society has issued a statement urging all public groups to prepare CCA figures, and shows them how to carry out the exercise.

This activity apparently left the Government unmoved. The 5 per cent trading stock adjustment allowance no longer exists, being described as a short term measure to meet short term circumstances.

The result is that CCA accounts remain a theoretical

exercise, while the administration tries to deal with the problem which first gave rise to the concept: inflation.

Attempts to index wage rates to inflation, if successful, will probably increase the level of the CCA debate. That debate quietened in 1979, although some company chairmen were moved to express concern at historical cost accounting when addressing their annual meetings.

The Waipa County Council was the first employing group to agree to wage indexation, but another major union filed such a claim in December.

If the idea became common (although the indefatigable Government now keeps a wary eye on "free bargaining") the issue would be raised again in relation to company incomes.

The vicious circle is then formed. Until inflation is either beaten (if that is possible), or cut drastically, index-

ation of wages and company accounts (indices are a vital component of the CCA system) seems only to add to inflationary pressure.

Business organisations would receive a happy surprise if the government took action on CCA in 1980.

In view of Finance Minister Rob Muldoon's preoccupation with other economic matters it would no doubt be a surprise to him, too, if anything was done.

Other accounting questions will arise this year. The Accountants' Society received isolated flak on its recommended accounting practices from companies in 1979.

Scott Group chairman (and multi-board member) David Scott hit the society's guideline of disclosing turnover figures. Scott argued that disclosure of his company's turnover would be misleading, because of the complex manufacturing and

wholesaling aspects of the business.

The argument had little effect on the society. Scott Group may have a problem, particularly when its figures are compared with other companies, a matter which particularly concerned David Scott.

Analysts and other people who examine accounts of different companies in an industry, or of groups in different industries, are aware that direct comparisons are impossible, for many reasons, including those which Scott put forward.

A few other companies bucked the society's recommendation on turnover disclosure, but the majority decided to go along with it.

Companies which refused already have a reputation in the marketplace for dreadful reporting, so their shareholders would be little concerned at failure to see tur-

never for yet another year.

Brierley Investments chairman, Ron Brierley, also took a swipe at the Accountants' Society, an organisation with which he has failed to agree on many occasions. (But time passes. Some of Brierley's "outrageous" accounting policies of yesteryear are now common practice, and others may be so in future.)

The "tags" which auditors place on accounts get the usual star treatment in newspapers, but they have little effect on the shareholders. I have attended many company annual meetings over the years, including cases where the accounts were tagged.

I have never heard a shareholder query the directors about the tag, although it may happen occasionally in other places. This suggests:

• The shareholders are happy with the way the company is run.

• They lack knowledge about

The cost of Bankcard

Melbourne Correspondent: AUSTRALIA's credit system "Bankcard" was to provide a \$1,700 million goods, services, and cash advances last financial year, but the system has a record of high establishment costs for Australian banks.

The V-Z Banking annual report recorded a \$41 million loss in the year to September. In 1978 it earned a profit of \$800,000.

But the ANZ still has accumulated a loss of \$1 million on the Bankcard since its inception.

The Commonwealth Bank and the Bank of New South Wales together have about \$42 million.

Although the full year Bankcard's total loss is known, estimates have been as high as \$80 million in 1978.

Installation costs of electronic equipment were around \$12 million; annual operating costs amounted to a further \$1 million.

Australian Banker's association director, Ron Cameron, who helped to establish Bankcard, said it is an expensive organisation to set up.

Each bank runs its own Bankcard, and the vouchers it issues are processed by a central computer system. Cameron said these costs were high. There are

staffs maintained in an information centre, a market centre, and a security centre. Cameron said it had been expected that operating costs would exceed income in some years, but even

each bankcard operated the individual banks would become profitable, because each bank would vary from bank to bank, because each bank has different numbers of holders and different numbers of businesses on their books whom they give value moment sales vouchers deposited.

Even when the banks become profitable on an annual basis, it would take years before all the losses were accounted for.

Goods movement by air increases

by Peter V O'Brien

AIR transport is rapidly increasing as a transport option for New Zealand imports and exports.

The Department of Statistics recently published figures for the value (but not for volume) of air freighted imports and exports for the year to June 30, 1979.

The fob (free on board) value of New Zealand produce exported (excluding the re-export of imported merchandise) rose 37.5 per cent to \$175,277,000, compared with \$127,404,000 in the previous June year.

The total value of all exports went up 22.8 per cent in the same period, according to the department's summary of overseas trade.

Airfreighted imports were 29.2 per cent higher than in 1978, while total imports rose only 16.8 per cent in value. The trend has been apparent for some years, and covers a wide range of goods.

There are several reasons for the growing tendency to ship goods by air. Speed is an obvious one. The development of rapid, long-haul jets offsets the increased "cost" of air freight, although the higher "cost" can be more theoretical than real, depending on the product.

Larger aircraft, combined with speed, allow the airlines to carry more freight, and economies of scale have an effect on the freight rate, compared with the costs some years ago.

A DF 10 along side a DC 8 or a 747 alongside a 707 brings to mind the idea of a whale lurching after its calf. Greater cargo capacity results in the ability to ship reasonably large quantities faster at a lower cost per item.

The delicate subject of pilage, when contrasting air freight with sea transport, is carefully avoided, when exporters and/or importers are questioned on the move to air.

Pillage occurs at airports, at airports (particularly in the United States), and en route. The opportunity to "get into" the cargo during a relatively short air flight, however, is virtually non-existent, but it does happen at sea.

All, or any, of these reasons can persuade a shipper to use aircraft rather than ships.

When the shipper has to reach a market quickly, particularly with perishable or high value cargo, air transport has advantages over sea. The ships may be here, they may be

coming to New Zealand, and they may do everything on time.

In spite of the occasional problem (union, weather, or otherwise), aircraft have a better record than ships.

The department's breakdown by product divisions show that product and value are the main criteria for an air transport decision.

Live animals accounted for \$18 million of the total \$129.1 million, or 13.9 per cent of total air exports in 1977-78. In 1978-79 proportion rose to 11.7 per cent of the total.

Air transport of apparel produced a dramatic increase of 57.2 per cent in value. After adjustment for inflation, the real increment is substantial, and appears to reflect the growing trend to ship clothes to Australia, South-East Asia, and the United States by air, in order to meet market demand, with emphasis on seasonal requirements.

Direct comparisons of other products by value between 1977-78 and 1978-79 are difficult, because the department altered its commodity classifications between the two years.

The destinations of the goods and the growth in value by countries between 1978 and 1979 are also interesting.

Air freighted exports to the United States and Australia accounted for 64.6 per cent of all air freight last year, compared with 31.3 per cent in the previous year. That is a substantial increase, but, operating from a low base, exports by air to Britain went from \$4,542,000 in 1977-78 to \$8,712,000 a lift of 91.5 per cent.

Japan took the top slot again from a low base. New Zealand exporters shipped goods worth \$5,574,000 last year to Japan, as against \$2,682,000 in the previous year. The percentage increase was 110.0.

A combination of the Christchurch company, PDL, the Auckland group, Rex Consolidated (both of which have manufacturing plants in Malaysia), and other exporters, was responsible for an export boom to Malaysia from \$791,000 in 1977-78 to \$2,035,000 last year. The increase was 157 per cent.

Given the higher bases in other countries, and the industrial incentives available in Malaysia, the figures are behind the real growth rates in Australia, the United States and Japan.

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Sharemarket losing momentum

by Peter V O'Brien

THE sharemarket will need a lot of good news if it is to repeat last year's overall rise of about 10 per cent, or 16 per cent when the "high" is taken into account.

Companies built up sufficient momentum in 1979 to report much improved results for the 12 months to March 31, but the market looks forward, and the view is unimpressive.

The Government admitted that the economy was "weakening" when it enacted the tax cut which takes effect from April.

The Institute of Economic Research confirmed that outlook when it issued the December Quarterly Predictions a week later.

In the institute's words, "the economic outlook is dominated by recession".

That comment is subject to Government policy changes, but there are some matters outside official control.

They include recessionary developments overseas, higher oil prices, other aspects of imported inflation, and the necessity to keep an eye on political reality when framing economic policy.

There is no benefit to anyone, for example, if an innovative economic package has the short term effect of doubling unemployment, while making no net resource transfers.

The cost of money is the dominant element in the development of corporate finance this year. A profit before tax in demand deposits, although it may speed up in the coming months.

High interest rates are with us now, and have already led to the deferral, or likely deferral, of several projects, particularly in hotel facilities for the bottlenecked tourist industry.

At the present rate of inflation to interest rates, and companies will have a problem financing working capital requirements. Some will ask their shareholders, for more equity capital, while those which still have a reasonable gearing will swallow hard and seek additional fixed interest funds.

Companies have to look at the inflation-biased cost of their materials and plant in conjunction with interest rates. Price rises might be an answer, which further fuels internal inflation, but that can accelerate a drop in demand, as consumers try to live within the constraint of lower disposable incomes in real terms. (The phenomenon of price increases to overcome a decline in demand for a firm's product is a comparatively new economic concept, but is now seen as an aspect of an economy suffering from "stagflation". The regular rise in the price of beer is an example, when rising costs and falling consumption cut into brewery profitability, leading to a price hike, and the possibility of another downturn volume sales).

The lender takes a different view of inflation and interest rates. Any return on investment which is less than the inflation rate is a negative return, and the owner of the money will be better off with funds in "things" which appreciate either at the inflation rate, or in excess of it.

Official decisions on monetary policy will influence these questions, particularly as they are also related to fiscal policy (taxation).

If companies retrench in the face of high interest rates, tight liquidity, falling demand and inflation, their profits are cut and the administration has to cover a rising deficit, which in turn sets up the old cycle again.

The problem, also old, is one of balance.

Assuming the Government can obtain the "right" balance, company profitability could be maintained overall, but various sectors, as always, will do better than others.

Retailing and the various parts of the construction industry are likely to have a dull year on the sharemarket, reflecting their general position in the economy.

Companies involved in processing wood have a good future with their performance in 1980 subject to the level of international demand. There may be a slowdown in the

growth rate of exports and internal sales for these products, but there will still be a reasonable increase.

Rural-based industries may see a drop in farm income. They will be under pressure in the early part of the year to cover farmers' tax requirements, which in turn will move back to a tightening of bank liquidity.

Picking the appropriate stocks is a crystal-ball exercise, but there are two other ways of making a dollar on the market this year, provided one has another crystal ball.

First is the takeover situation. It is now cheaper for companies to acquire a firm with assets well ahead of the share price than to set up a new facility. A large gap between price and asset backing in a company performing moderately well is the clue to takeover potential.

(Unless the offeror is a Brierley, there is little profit in buying trouble in a difficult year, unless a properly thought-out plan of change for products, markets, and/or management is prepared in advance).

Taking up cash issues, or selling rights, is the second, but more modest way, of staying ahead of the market.

Provided the dividend will be maintained on higher capital, and provided also that the issue terms do not squeeze the shareholders, ex issue prices can soon revert to the cum price, with a capital gain coming to the shareholders. Alternatively, the existing shareholder can sell rights, take the profit, and lower the effective cost of the present holding.

There is always room for surprises, but in general the sharemarket will do well if it manages to repeat last year's percentage gain.

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Dr R J M Crawford, medical superintendent at Queen Mary Hospital, asks: "Do we have to wait until our problem approaches that of France before we tackle it?"

A WHO study showed that half the hospital beds and 40 per cent of the country's total expenditure on health care was taken up by the treatment of alcohol-related conditions.

The New Zealand consumption of alcohol is about half that of France and Croatia, and one share of alcohol-related illness in proportion.

The dispute is to whether wine or beer is the "drink of moderation" is perhaps irrelevant.

The answer seems to be more of what everyone is advocating, from George Gair with his "community cafe" concept, to Lion with its "Cubb & Cus" — smaller, more congenial drinking surroundings with plenty of food available.

A tax system which favours higher quality wines, rather than cheap ones which could become a hazardous substitute for beer, would be preferable to the present "ad valorem" method which has seen the rise of the big-in-the-box at the expense of the traditional technology.

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